

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 17, 2017

REVISED

Carena Scattered Site Renovation, located at the addresses below in the Cities of Concord and Bay Point. The project has requested and is being recommended for a reservation of \$1,196,219 in annual federal tax credits to finance the acquisition and rehabilitation of 111 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Resources for Community Development and is located in Senate District 7 and Assembly District 14.

Carena Scattered Site Renovation is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) project: Camara Circle (CA-2000-874) and Elaine Null Apartments (CA-1993-013). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HACCC's RAD Project Based Voucher.

Project Number CA-17-734

Project Name Carena Scattered Site Renovation

	<u>Camara Circle</u>	<u>Riley Court</u>
Site Address:	2501, 2513, 2525, 2530, 2531, 2536, 2537, 2549, 2554, 2555, 2566 Camara Circle Concord, CA 94520	2050, 2051, 2061 Riley Court Concord, CA 94520

Census Tract:	3362.01	3362.01; 3362.02
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	<u>Elaine Null Apartments</u>
Site Address:	112 Alves Ln. 300-310 Water St. Bay Point, CA 94565
Census Tract:	3141.04

County: Contra Costa

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,196,219	\$0
Recommended:	\$1,196,219	\$0

Applicant Information

Applicant: Carena Associates, L.P.
 Contact: Daniel Sawislak
 Address: 2220 Oxford Street
 Berkeley, CA 94704
 Phone: (510) 841-4410 Fax: (510) 548-3502
 Email: dsawislak@rcdhousing.org

General Partner(s) or Principal Owner(s): RCD GP, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Resources for Community Development
 Developer: Resources for Community Development
 Investor/Consultant: Community Economics
 Management Agent: The John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 19
 Total # of Units: 113
 No. & % of Tax Credit Units: 111 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / CDBG / HOPWA
 RAD Section 8 Project-based Vouchers (4 units / 28%)
 Section 8 Project-based Vouchers (15 units / 31%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 51
 Number of Units @ or below 60% of area median income: 60

Bond Information

Issuer: Contra Costa County
 Expected Date of Issuance: September 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

41 1-Bedroom Units
62 2-Bedroom Units
10 3-Bedroom Units
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113 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Camara Circle</u>			
3 2 Bedrooms	50%	28%	\$621
3 2 Bedrooms	50%	38%	\$839
1 2 Bedrooms	50%	38%	\$839
34 2 Bedrooms	50%	45%	\$990
7 2 Bedrooms	50%	46%	\$1,005
2 2 Bedrooms	60%	47%	\$1,036
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
<u>Elaine Null Apartments</u>			
1 2 Bedrooms	50%	41%	\$907
3 2 Bedrooms	60%	41%	\$907
2 3 Bedrooms	50%	43%	\$1,086
1 3 Bedrooms	60%	41%	\$1,028
1 3 Bedrooms	60%	43%	\$1,080
2 3 Bedrooms	60%	43%	\$1,080
4 3 Bedrooms	60%	43%	\$1,080
<u>Riley Court Apartments</u>			
2 1 Bedroom	60%	28%	\$513
2 1 Bedroom	60%	28%	\$513
3 1 Bedroom	60%	46%	\$843
33 1 Bedroom	60%	46%	\$843
4 2 Bedrooms	60%	28%	\$611
3 2 Bedrooms	60%	46%	\$1,015
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$43,713,780

Project Cost Summary at Application

Land and Acquisition	\$15,130,476
Construction Costs	\$0
Rehabilitation Costs	\$9,684,344
Construction Contingency	\$1,936,869
Relocation	\$814,000
Architectural/Engineering	\$807,000
Const. Interest, Perm. Financing	\$1,138,641
Legal Fees, Appraisals	\$70,000
Reserves	\$704,796
Other Costs	\$542,882
Developer Fee	\$4,165,370
Commercial Costs	\$0
Total	\$34,994,378

Project Financing

Estimated Total Project Cost:	\$34,994,378
Estimated Residential Project Cost:	\$34,994,378
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$119
Per Unit Cost:	\$309,685
True Cash Per Unit Cost*:	\$303,490

Construction Financing

Source	Amount
Bank of the West	\$18,678,057
City of Concord-Existing Loan ¹	\$3,914,723
City of Concord-RDA Loan ³	\$1,741,430
**CC County HOME ¹	\$1,272,912
**CC County HOPWA/HOME ³	\$1,074,236
**CC County-RDA Loan ²	\$743,361
**CC County existing CDBG/HOME ³	\$1,508,217
General Partner Reserves	\$625,276
Tax Credit Equity	\$1,000,000

Permanent Financing

Source	Amount
Bank of the West-Tranche A	\$4,016,000
Bank of the West-Tranche B	\$998,000
City of Concord-Existing Loan ¹	\$3,914,723
City of Concord-RDA Loan ³	\$1,741,430
City of Concord-New	\$1,100,000
**CC County HOME ¹	\$1,272,911
**CC County HOPWA/HOME ³	\$1,074,236
**CC County-RDA Loan ²	\$743,361
**CC County existing CDBG/HOME ³	\$1,508,217
**CC County - New	\$925,000
Sponsor loan	\$1,873,109
Operating income during rehab	\$142,577
General Partner Equity	\$2,423,927
General Partner Reserves	\$625,276
Deferred Developer Fee	\$700,000
Tax Credit Equity	\$11,935,609
TOTAL	\$34,994,377

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Contra Costa

¹ Camara Circle

² Elaine Null Apartments

³ Riley Court Apartments

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,240,839
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,693,664
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,113,091
Applicable Rate:	3.25%
Qualified Basis (Acquisition):	\$15,693,664
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$686,175
Maximum Annual Federal Credit, Acquisition:	\$510,044
Total Maximum Annual Federal Credit:	\$1,196,219
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,165,370
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.99778

Per Regulation Section 10322(h)(9)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$31,934,503
Actual Eligible Basis:	\$31,934,503
Unadjusted Threshold Basis Limit:	\$34,638,434
Total Adjusted Threshold Basis Limit:	\$50,225,729

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 45%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that both the acquisition date and the placed in service date for each existing TCAC project occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period for Elaine Null Apartments (CA-1993-013) is from 01/01/1995 through 12/31/2009. The existing regulatory agreement expiration date is 12/31/2050. The existing regulatory agreement income targeting is 3 units at or below 50% AMI and 11 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

Elaine Null Apartments is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of \$500,550. Since there is no distribution of Net Project Equity, the project is waived from the requirements of TCAC Regulation Section 10320(b)(4)(B), and thus allowed to receive eligible basis for the entire Short Term Work amount.

For Elaine Null, the Housing Authority of the County of Contra Costa has committed to providing Project-based Section 8 Vouchers for two (2) units and provided a Rental Assistance Demonstration (RAD) Program Contract for 2 units.

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that both the acquisition date and the placed in service date for each existing TCAC project occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period for Camera Circle Apartments (CA-2000-874) is from 01/01/2001 through 12/31/2015. The existing regulatory agreement expiration date is 12/31/2031. The existing regulatory agreement income targeting is 48 units at or below 50% AMI and 2 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

Camara Circle Apartments is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of \$1,661,746. Since there is no distribution of Net Project Equity, the project is waived from the requirements of TCAC Regulation Section 10320(b)(4)(B), and thus allowed to receive eligible basis for the entire Short Term Work amount.

For Riley Court, the Housing Authority of the County of Contra Costa has committed to providing Project-based Section 8 Vouchers for ten (10) units and Housing Opportunities for Persons with AIDS (HOPWA) for five (5) units.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,196,219	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.