

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Riverside Apartments, located at 691 Riverside Street in Ventura, requested and is being recommended for a reservation of \$303,098 in annual federal tax credits to finance the new construction of 22 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by MW Development and will be located in Senate District 19 and Assembly District 37.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-17-755

Project Name Riverside Apartments
Site Address: 691 Riverside Street
 Ventura, CA 93001 County: Ventura
Census Tract: 23.00

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$303,098 | \$0 |
| Recommended: | \$303,098 | \$0 |

Applicant Information

Applicant: MW Development
Contact: Michael Weyrick
Address: 3911 North Ventura Ave., Suite B
 Ventura, CA 93001
Phone: 805-451-7268 Fax: 805-643-9046
Email: michaelweyrick@mwdevelopment.org

General Partner(s) or Principal Owner(s): Affordable Housing Alliance II, dba Integrity Housing
 MW Development
General Partner Type: Joint Venture
Parent Company(ies): Affordable Housing Alliance II, dba Integrity Housing
 MW Development
Developer: MW Development
Investor/Consultant: City Real Estate Advisors
Management Agent: ConAm Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 23
 No. & % of Tax Credit Units: 22 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (10 units - 45%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 4
 Number of Units @ or below 60% of area median income: 18

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: September 4, 2017
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Carmen Doonan

Unit Mix

15 2-Bedroom Units
 8 3-Bedroom Units

 23 Total Units

| Unit Type & Number | 2017 Rents Targeted % of Area Median Income | 2017 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|-----------------------------------|--|--|--|
| 3 2 Bedrooms | 50% | 50% | \$1,125 |
| 11 2 Bedrooms | 60% | 60% | \$1,350 |
| 1 3 Bedrooms | 50% | 50% | \$1,298 |
| 7 3 Bedrooms | 60% | 60% | \$1,557 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$1,116 |

Projected Lifetime Rent Benefit: \$7,998,540

Project Cost Summary at Application

| | |
|----------------------------------|--------------------|
| Land and Acquisition | \$1,260,000 |
| Construction Costs | \$4,751,501 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$422,133 |
| Relocation | \$0 |
| Architectural/Engineering | \$200,000 |
| Const. Interest, Perm. Financing | \$390,108 |
| Legal Fees, Appraisals | \$65,000 |
| Reserves | \$103,214 |
| Other Costs | \$559,452 |
| Developer Fee | \$935,729 |
| Commercial Costs | \$0 |
| Total | \$8,687,137 |

Project Financing

| | |
|-------------------------------------|-------------|
| Estimated Total Project Cost: | \$8,687,137 |
| Estimated Residential Project Cost: | \$8,687,137 |
| Estimated Commercial Project Cost: | \$0 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$228 |
| Per Unit Cost: | \$377,702 |
| True Cash Per Unit Cost*: | \$358,821 |

Construction Financing

| Source | Amount |
|------------------------|-------------|
| Chase - T.E. Bonds | \$7,000,000 |
| City of Ventura | \$25,000 |
| Deferred Developer Fee | \$434,255 |
| Tax Credit Equity | \$1,227,882 |

Permanent Financing

| Source | Amount |
|------------------------|--------------------|
| CalHFA | \$5,100,000 |
| CalHFA | \$400,000 |
| City of Ventura | \$25,000 |
| Deferred Developer Fee | \$434,255 |
| Tax Credit Equity | \$2,727,882 |
| TOTAL | \$8,687,137 |

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

Determination of Credit Amount(s)

| | |
|--|---------------------------|
| Requested Eligible Basis: | \$7,173,921 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$9,326,097 |
| Applicable Rate: | 3.25% |
| Total Maximum Annual Federal Credit: | \$303,098 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$935,729 |
| Investor/Consultant: | City Real Estate Advisors |
| Federal Tax Credit Factor: | \$0.90000 |

Per Regulation Section 10327(c)(6), 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: | \$7,173,921 |
| Actual Eligible Basis: | \$7,173,921 |
| Unadjusted Threshold Basis Limit: | \$7,491,232 |
| Total Adjusted Threshold Basis Limit: | \$11,152,730 |

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 18%

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: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of San Buenaventura, has completed a site review of this project and strongly supports this project.

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 |
| \$303,098 | \$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 will exceed 2013 Title 24 Standards for New Construction by 15% of the California Building Code
- The project will provide energy efficiency with renewable energy that offsets 40% of project tenants' energy load
- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% / 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- 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.