

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 19, 2017

Heritage Point, located at 1500 Fred Jackson Way in Richmond, requested and is being recommended for a reservation of \$1,035,309 in annual federal tax credits to finance the new construction of 41 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Community Housing Development Corporation and will be located in Senate District 9 and Assembly District 15.

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

Project Number CA-17-769

Project Name Heritage Point
Site Address: 1500 Fred Jackson Way
Richmond, CA 94801 County: Contra Costa
Census Tract: 3650.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,035,309	\$0
Recommended:	\$1,035,309	\$0

Applicant Information

Applicant: Heritage Point A/G, L.P.
Contact: Donald Gilmore, Executive Director
Address: 1535-A Fred Jackson Way
Richmond, CA 94801
Phone: 510-412-9250 Fax: 510-215-9276
Email: dgilmore@chdcrn.com

General Partner(s) or Principal Owner(s): Heritage Point A/G, LLC
General Partner Type: Nonprofit
Parent Company(ies): Community Housing Development Corporation
Developer: Community Housing Development Corporation
Investor/Consultant: Community Economics
Management Agent: North Richmond Economic Development Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 42
 No. & % of Tax Credit Units: 41 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (35 units - 85%) / HUD RAD Section 8 Project-based Vouchers (6 units - 15%) / CDBG
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 5
 Number of Units @ or below 50% of area median income: 36

Bond Information

Issuer: Contra Costa County
 Expected Date of Issuance: January 19, 2018
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Diane SooHoo

Unit Mix

12 1-Bedroom Units
 17 2-Bedroom Units
 13 3-Bedroom Units

 42 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5 1 Bedroom	30%	30%	\$587
1 1 Bedroom	45%	45%	\$880
6 1 Bedroom	50%	50%	\$978
16 2 Bedrooms	50%	50%	\$1,173
13 3 Bedrooms	50%	50%	\$1,356
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$18,128,880

Project Cost Summary at Application

Land and Acquisition	\$2,029,405
Construction Costs	\$16,059,495
Rehabilitation Costs	\$0
Construction Contingency	\$869,475
Relocation	\$0
Architectural/Engineering	\$552,179
Const. Interest, Perm. Financing	\$1,367,452
Legal Fees, Appraisals	\$100,000
Reserves	\$198,962
Other Costs	\$1,968,338
Developer Fee	\$3,196,221
Commercial Costs	\$0
Total	\$26,341,527

Project Financing

Estimated Total Project Cost:	\$26,341,527
Estimated Residential Project Cost:	\$26,341,527
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$417
Per Unit Cost:	\$627,179
True Cash Per Unit Cost*:	\$598,007

Construction Financing

Source	Amount
Citibank	\$17,000,000
Contra Costa County - CDBG	\$2,900,000
CCC Sucessor Agency**	\$1,355,970
CCC Livable Community Fund**	\$1,432,830
Tax Credit Equity	\$980,518

Permanent Financing

Source	Amount
Citibank - Tranche A	\$2,391,000
Citibank - Tranche B	\$5,075,000
Contra Costa County - CDBG	\$2,900,000
CCC Sucessor Agency**	\$2,616,584
CCC Livable Community Fund**	\$1,432,830
Sponsor Loan	\$1,016,708
Deferred Developer Fee	\$1,225,230
Tax Credit Equity	\$9,684,175
TOTAL	\$26,341,527

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

** CCC = Contra Costa County

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,504,362
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$31,855,671
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,035,309
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,196,221
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.93539

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:	\$24,504,362
Actual Eligible Basis:	\$24,504,362
Unadjusted Threshold Basis Limit:	\$13,878,424
Total Adjusted Threshold Basis Limit:	\$30,365,765

Adjustments to Basis Limit

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: 87%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 24%

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

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The required TCAC training for the management company has been completed and the certification of completion has been received by TCAC.

Local Reviewing Agency

The Local Reviewing Agency, Contra Costa County Department of Conservation and Development, 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
\$1,035,309	\$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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program on-site for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator/service provider for a minimum number of hours per year on-site

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 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.