

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

St. Paul's Commons, located at 1860 Trinity Avenue in Walnut Creek, requested and is being recommended for a reservation of \$1,125,626 in annual federal tax credits to finance the new construction of 44 units of housing serving special needs tenants with rents affordable to households earning 30-60% 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 16.

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

Project Number CA-17-111

Project Name St. Paul's Commons
Site Address: 1860 Trinity Avenue
Walnut Creek, CA 94596 County: Contra Costa
Census Tract: 3390.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,125,626	\$0
Recommended:	\$1,125,626	\$0

Applicant Information

Applicant: Resources for Community Development
Contact: Alicia Klein
Address: 2220 Oxford Street
Berkeley, CA 94704
Phone: 510.841.4410 Fax: 510.548.3502
Email: AKlein@rcdhousing.org

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

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 45
 No. & % of Tax Credit Units: 44 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project Based Vouchers - (23 units - 52%)
 HOME / HOPWA
 Average Targeted Affordability of Special Needs/SRO Project Units: 31.96%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 19 40 %
 35% AMI: 9 20 %
 40% AMI: 12 25 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless / Formally homeless
 % of Special Need Units: 23 units 52%
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

30 SRO/Studio Units
 14 1-Bedroom Units
1 2-Bedroom Units
 45 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	30%	30%	\$548
3 SRO/Studio	35%	35%	\$639
2 SRO/Studio	30%	20%	\$365
5 SRO/Studio	30%	30%	\$548
12 SRO/Studio	40%	40%	\$731
3 SRO/Studio	50%	50%	\$913
1 SRO/Studio	60%	60%	\$1,096
5 1 Bedroom	30%	30%	\$587
6 1 Bedroom	35%	35%	\$685
3 1 Bedroom	30%	20%	\$391
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$27,372,840

Project Cost Summary at Application

Land and Acquisition	\$1,788,312
Construction Costs	\$8,483,184
Rehabilitation Costs	\$0
Construction Contingency	\$425,733
Relocation	\$0
Architectural/Engineering	\$698,862
Const. Interest, Perm. Financing	\$620,535
Legal Fees, Appraisals	\$69,560
Reserves	\$433,376
Other Costs	\$1,612,266
Developer Fee	\$1,907,604
Commercial Costs	\$3,384,025
Total	\$19,423,457

Project Financing

Estimated Total Project Cost:	\$19,423,457
Estimated Residential Project Cost:	\$15,531,828
Estimated Commercial Project Cost	\$3,891,628

Residential

Construction Cost Per Square Foot:	\$294
Per Unit Cost:	\$345,152
True Cash Per Unit Cost*:	\$315,468

Construction Financing

Source	Amount
Union Bank	\$8,542,500
Land Donation	\$1,301,000
City of Walnut Creek	\$5,000,000
City of Walnut Creek - Fee waiver	\$366,642
Contra Costa County - HOME	\$800,000
Contra Costa County - HOPWA	\$75,000
AHP	\$440,000
Tax Credit Equity	\$1,100,000

Permanent Financing

Source	Amount
Union Bank - Tranche B	\$787,200
Land Donation	\$1,301,000
City of Walnut Creek	\$5,000,000
City of Walnut Creek - Fee waiver	\$366,642
Contra Costa County - HOME	\$800,000
Contra Costa County - HOPWA	\$75,000
AHP	\$440,000
Deferred Developer Fee	\$2,813
General Partner Equity	\$507,604
Tax Credit Equity	\$10,143,198
TOTAL	\$19,423,457

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,620,737
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,506,957
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,125,626
Approved Developer Fee in Project Cost:	\$1,907,604
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.90112

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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$9,620,737
Actual Eligible Basis:	\$12,660,737
Unadjusted Threshold Basis Limit:	\$9,623,944
Total Adjusted Threshold Basis Limit:	\$13,177,713

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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	57.149%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

The projects Sources & Uses Budget does not include \$1,000,000 in CDBG Grant money that was awarded to St. Paul's Episcopal Church for Trinity Center. The Trinity Center offers services, meals and other resources for homeless & formerly homeless individuals. Consistent with the preliminary review, the costs and CDBG funds for Trinity Center shall continue to be excluded from all subsequent submissions to TCAC.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, City of Walnut Creek, 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
\$1,125,626	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1/2 mile of a neighborhood market of at least 5,000 sf	3	3	3
Special Needs/SRO project within 1/2 mile of facility serving tenant pop.	3	3	0
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.