

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

Kristen Court Apartments III, located at 9027 North Street in Live Oak, requested and is being recommended for a reservation of \$620,116 in annual federal tax credits and \$3,650,000 in total state tax credits to finance the new construction of 32 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 4 and Assembly District 3.

The project financing includes state funding from the MHP program of HCD.

Project Number CA-21-488

Project Name Kristen Court Apartments III
Site Address: 9027 North Street
 Live Oak CA 95953 County: Sutter
Census Tract: 507.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$620,116	\$3,650,000
Recommended:	\$620,116	\$3,650,000

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Sutter Community Affordable Housing
Contact: Brynda Stranix
Address: 1455 Butte House Road
 Yuba City CA 95993
Phone: 530.671.0220
Email: bstranix@ysedc.org

General Partner(s) or Principal Owner(s): TPC Holdings IX, LLC
 Sutter Community Affordable Housing
General Partner Type: Joint Venture
 Sutter Community Affordable Housing
Parent Company(ies): The Pacific Companies
Developer: Pacific West Communities, Inc.
Investor/Consultant: Boston Financial
Management Agent: Aperto Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 32
 No. / % of Low Income Units: 32 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 Utility Allowance: CUAC

Bond Information

Issuer: California Municipal Finance Authority (CMFA)
 Expected Date of Issuance: October 5, 2021

Information

Housing Type: Large Family
 Geographic Area: Capital Region
 TCAC Project Analyst: Sopida Steinwert

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 7	22%
40% AMI: 1	3%
50% AMI: 14	44%
60% AMI: 10	31%

Unit Mix

8 2-Bedroom Units
16 3-Bedroom Units
8 4-Bedroom Units
<u>32 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	30%	30%	\$472
3 2 Bedrooms	50%	50%	\$787
3 2 Bedrooms	60%	60%	\$945
4 3 Bedrooms	30%	30%	\$545
7 3 Bedrooms	50%	50%	\$908
5 3 Bedrooms	60%	60%	\$1,090
1 4 Bedrooms	30%	30%	\$608
1 4 Bedrooms	40%	40%	\$811
4 4 Bedrooms	50%	50%	\$1,013
2 4 Bedrooms	60%	60%	\$1,216

Project Cost Summary at Application

Land and Acquisition	\$325,000
Construction Costs	\$10,439,061
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$520,000
Soft Cost Contingency	\$200,000
Relocation	\$0
Architectural/Engineering	\$445,000
Const. Interest, Perm. Financing	\$815,000
Legal Fees	\$70,000
Reserves	\$174,481
Other Costs	\$1,161,452
Developer Fee	\$2,022,117
Commercial Costs	\$0
Total	\$16,172,111

Residential

Construction Cost Per Square Foot:	\$313
Per Unit Cost:	\$505,378
True Cash Per Unit Cost*:	\$505,378.47

Construction Financing

Source	Amount
California Bank & Trust - Tax-Exem	\$8,700,000
California Bank & Trust - Taxable	\$4,460,000
Deferred Developer Fee	\$2,022,117
Deferred Costs	\$174,481
Tax Credit Equity	\$815,513

Permanent Financing

Source	Amount
California Bank & Trust	\$1,600,000
HCD - MHP	\$6,494,968
Tax Credit Equity	\$8,077,143
TOTAL	\$16,172,111

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,502,900
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$15,502,900
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$620,116
Total State Credit:	\$3,650,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,022,117
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.81992
State Tax Credit Factor:	\$0.81992

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$15,502,900
Actual Eligible Basis:	\$15,502,900
Unadjusted Threshold Basis Limit:	\$15,444,632
Total Adjusted Threshold Basis Limit:	\$34,474,019

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

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 46%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 42%

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 meet or 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 4.00% 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.

Significant Information / Additional Conditions

The applicant has requested the use of a CUAC utility allowance. TCAC staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

Kristen Court Apartments III is phase three of a three-phased development. The first phase, Kristen Court Apartments (CA-15-060), was completed in December 2016 and includes 56 residential units. The second phase, Kristen Court Apartments II (CA-19-703), was completed in July 2020 and includes 24 multifamily units. Kristen Court Apartments III, will include 32 multifamily units. The three phases will share a 2,469 square foot community building and other amenities including a swimming pool and a covered picnic area constructed as part of the first phase. A manager will provide assistance and management for all three phases while residing in a three-bedroom manager’s unit located in Phase I. All phases are subject to a Reciprocal Maintenance and Use Agreement.

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.