

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 18, 2015

Triangle Court/Friendship Manor, located at 960 Triangle Court and 568 Stege Avenue in Richmond, requested and is being recommended for a reservation of \$1,228,999 in annual federal tax credits to finance the acquisition and rehabilitation of 153 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Richmond Housing Authority and will be located in Senate District 9 and Assembly District 5.

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

Project Number CA-15-933

Project Name Triangle Court/Friendship Manor

Site Addresses:	<u>Triangle Court</u>	<u>Friendship Manor</u>
	960 Triangle Court	568 Stege Avenue
	Richmond, CA 94801	Richmond, CA 94804
Census Tract:	3760.00	3820.00
County:	Contra Costa	

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,228,999	\$0
Recommended:	\$1,228,999	\$0

Applicant Information

Applicant:	Richmond Housing Authority
Contact:	LaTanna Jones
Address:	330 24th Street Richmond, CA 94804
Phone:	510.235.2062
Email:	Ljones@rhaca.org
General Partner(s) or Principal Owner(s):	RHA RAD LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Richmond Housing Authority
Developer:	Richmond Housing Authority
Investor/Consultant:	The Richman Group
Management Agent:	John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 25
 Total # of Units: 155
 No. & % of Tax Credit Units: 153 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt /
 HUD RAD Section 8 Project-based Vouchers (153 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 153

Bond Information

Issuer: Richmond Housing Authority
 Expected Date of Issuance: November 23, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

1 SRO/Studio Units
 80 1-Bedroom Units
 59 2-Bedroom Units
 15 3-Bedroom Units

 155 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Triangle Court</u>			
25 1 Bedroom	50%	38%	\$664
57 2 Bedrooms	50%	38%	\$792
15 3 Bedrooms	50%	44%	\$1,058
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
<u>Friendship Manor</u>			
54 1 Bedroom	50%	39%	\$686
2 2 Bedrooms	50%	39%	\$814
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$16,880,000
Construction Costs	\$0
Rehabilitation Costs	\$10,691,900
Construction Contingency	\$1,069,190
Relocation	\$1,250,000
Architectural/Engineering	\$987,724
Construction Interest, Perm Financing	\$1,061,388
Legal Fees, Appraisals	\$291,312
Reserves	\$788,575
Other Costs	\$1,170,451
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$36,690,540

Project Financing

Estimated Total Project Cost:	\$36,690,540
Estimated Residential Project Cost:	\$36,690,540

Residential

Construction Cost Per Square Foot:	\$87
Per Unit Cost:	\$236,713

Construction Financing

Source	Amount
JPMorgan Chase Bank	\$16,500,000
RHA* Seller Financing	\$7,911,499
Accrued Interest (Seller Financing)	\$202,806
City of Richmond Loan	\$700,000
RHA* Loan (from Sale Proceeds)	\$4,265,229
Accrued Interest (Other Soft Loans)	\$51,291
Value of Leased Land	\$3,210,000
CDLAC Performance Deposit	\$82,500
Tax Credit Equity	\$1,613,984

Permanent Financing

Source	Amount
JPMorgan Chase Bank	\$1,430,800
RHA* Seller Financing	\$7,911,499
Accrued Interest (Seller Financing)	\$213,480
City of Richmond Loan	\$5,400,000
RHA* Loan (from Sale Proceeds)	\$5,618,501
Accrued Interest (Other Soft Loans)	\$57,511
Value of Leased Land	\$3,210,000
CDLAC Performance Deposit	\$82,500
Income from Operations	\$185,085
Tax Credit Equity	\$12,581,164
TOTAL	\$36,690,540

*Richmond Housing Authority

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$18,042,939
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,786,573
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$23,455,820
Qualified Basis (Acquisition):	\$13,786,573
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$774,042
Maximum Annual Federal Credit, Acquisition:	\$454,957
Total Maximum Annual Federal Credit:	\$1,228,999
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	\$1.02369

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:	\$31,829,512
Actual Eligible Basis:	\$31,829,512
Unadjusted Threshold Basis Limit:	\$40,434,570
Total Adjusted Threshold Basis Limit:	\$80,869,140

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: 100%

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 3.30% 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

Triangle Court/Friendship Manor is a scattered-site project consisting of Triangle Court located at 960 Triangle Court and Friendship Manor located at 568 Stege Avenue.

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

The proposed rent at Triangle Court (Seniors) does not include any utility allowance. The owner will pay for all utilities at this site. The proposed rent at Friendship Manor (Families) include utility allowances.

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 general partner has been completed and the certification of completion has been received by TCAC.

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
\$1,228,999	\$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 ten (10) 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site