

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

Solinas Village/Almond Court, a scattered site project located at 711 5th Street in McFarland and 801 Almond Court in Wasco, requested and is being recommended for a reservation of \$804,252 in annual federal tax credits and \$1,295,799 in total state tax credits to finance the rehabilitation of 86 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 Self-Help Enterprises and is located in Senate District 14 and Assembly District 32.

Solinas Village/Almond Court is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) project, Solinas Village (CA-93-037) and Almond Court (CA-95-044). See **Special Issues/Other Significant Information** below for additional resyndication information.

Project Number CA-16-080

Project Name Solinas Village/Almond Court

Site Address:	<u>Solinas Village Site</u>	<u>Almond Court Site</u>
	711 5th Street	801 Almond Court
	McFarland, CA 93250	Wasco, CA 93280
County:	Kern	Kern
Census Tract:	47.010	44.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$804,252	\$1,295,799
Recommended:	\$804,252	\$1,295,799

Applicant Information

Applicant: Self-Help Enterprises
Contact: Betsy McGovern-Garcia
Address: 8445 W. Elowin Court
Visalia, CA 93291
Phone: (559) 802-1653 Fax: (559) 651-3634
Email: betsyg@selfhelpenterprises.org

General Partner(s) / Principal Owner(s):	Self-Help Enterprises
General Partner Type:	Nonprofit
Parent Company(ies):	Self-Help Enterprises
Developer:	Self-Help Enterprises
Investor/Consultant:	California Housing Partnership Corporation
Management Agent(s):	AWI Property Management

Project Information

Construction Type: Rehabilitation-Only
Total # Residential Buildings: 22
Total # of Units: 88
No. & % of Tax Credit Units: 86 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 13 15 %
35% AMI: 9 10 %
40% AMI: 9 10 %
50% AMI (Rural): 9 10 %
55% AMI (Rural): 13 15 %

Information

Set-Aside: Rural
Housing Type: Large Family
Geographic Area: N/A
TCAC Project Analyst: Zhuo Chen

Unit Mix

14 2-Bedroom Units
50 3-Bedroom Units
24 4-Bedroom Units
88 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Solinas Village Site</u>			
1 2 Bedrooms	30%	30%	\$398
5 3 Bedrooms	30%	30%	\$460
5 4 Bedrooms	30%	30%	\$513
2 2 Bedrooms	35%	35%	\$464
2 3 Bedrooms	35%	35%	\$536
1 4 Bedrooms	35%	35%	\$599
2 2 Bedrooms	40%	40%	\$530
2 3 Bedrooms	40%	40%	\$613
1 4 Bedrooms	40%	40%	\$684
1 2 Bedrooms	50%	45%	\$601
1 3 Bedrooms	50%	44%	\$676
2 4 Bedrooms	50%	41%	\$695
1 2 Bedrooms	55%	45%	\$601
3 3 Bedrooms	55%	44%	\$676
4 4 Bedrooms	55%	41%	\$695
1 2 Bedrooms	60%	47%	\$628
15 3 Bedrooms	60%	44%	\$677
2 4 Bedrooms	60%	43%	\$727
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Almond Court Site</u>			
2 3 Bedrooms	30%	30%	\$460
1 2 Bedrooms	35%	35%	\$464
2 3 Bedrooms	35%	35%	\$536
1 4 Bedrooms	35%	35%	\$599
1 2 Bedrooms	40%	40%	\$530
2 3 Bedrooms	40%	40%	\$613
1 4 Bedrooms	40%	40%	\$684
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9 3 Bedrooms	60%	44%	\$677
3 4 Bedrooms	60%	43%	\$727
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,057,218
Construction Costs	\$0
Rehabilitation Costs	\$5,390,950
Construction Contingency	\$814,643
Relocation	\$0
Architectural/Engineering	\$215,000
Const. Interest, Perm. Financing	\$482,187
Legal Fees, Appraisals	\$90,000
Reserves	\$248,638
Other Costs	\$229,430
Developer Fee	\$1,039,187
Commercial Costs	\$0
Total	\$14,567,253

Project Financing

Estimated Total Project Cost:	\$14,567,253
Estimated Residential Project Cost:	\$14,567,253
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$51
Per Unit Cost:	\$165,537
True Cash Per Unit Cost*:	\$165,537

Construction Financing

Source	Amount
Wells Fargo Bank	\$7,494,000
HOME (Principal, Solinas)**	\$2,200,000
HOME (Interest, Solinas)**	\$1,349,150
HOME (Principal, Almond)**	\$1,000,000
HOME (Interest, Almond)**	\$555,917
Existing Reserves	\$205,786
Tax Credit Equity	\$1,051,749

Permanent Financing

Source	Amount
HOME (Principal, Solinas)**	\$2,200,000
HOME (Interest, Solinas)**	\$1,349,150
HOME (Principal, Almond)**	\$1,000,000
HOME (Interest, Almond)**	\$555,917
Existing Reserves	\$205,786
Tax Credit Equity	\$9,256,400
TOTAL	\$14,567,253

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

**County of Kern Assumed HOME Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,870,713
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,936,128
Applicable Rate:	9.00%
Maximum Annual Federal Credit, Rehabilitation:	\$804,252
Total State Credit:	\$1,295,799
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,039,187
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.04745
State Tax Credit Factor:	\$0.64230

Per Regulation Section 10322(i)(4)(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:	\$7,870,713
Actual Eligible Basis:	\$7,967,102
Unadjusted Threshold Basis Limit:	\$27,562,224
Total Adjusted Threshold Basis Limit:	\$27,562,224

Adjustments to Basis Limit: None.

Tie-Breaker Information

First: **Large Family**
Final: **37.130%**

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. 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

This project involves the substantial rehabilitation of 2 scattered-sites, Solinas Village and Almond Court, each currently under a regulatory agreement, originally constructed in the mid-1990s in the city of McFarland and Wasco, respectively.

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period for Solinas Village (CA-93-037) is from 01/01/1995 through 12/31/2009, and the initial 15 year compliance period for Almond Court (CA-95-044) is from 01/01/1997 through 12/31/2011. The existing regulatory agreement for Solinas Village expires 12/31/2049, and the existing regulatory agreement for Almond Court expires 12/31/2051. The existing regulatory agreement income targeting for Solinas Village is at least 21 units at or below 50% AMI, and the existing regulatory agreement income targeting for Almond Court is at least 15 units at or below 50% AMI. The project shall maintain the rents and income targeting levels in the existing regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

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 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
\$804,252	\$1,295,799

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
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
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 (Solinas Village site)	15	15	15
Van or dial-a-ride service for rural set-aside	4	4	4
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ¾ mile of a public elementary school	3	3	3
Within 1 mile of a pharmacy	2	2	2
Site Amenities (Almond Court site)	15	15	15
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1.5 mile of a public high school	3	3	3
Within 1 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	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
Smoke Free Residence	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.