

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2016 Second Round**

**September 21, 2016**

Delta Vista Manor, located at 701 North Ash Avenue in Lindsay, requested and is being recommended for a reservation of \$629,066 in annual federal tax credits to finance the acquisition and rehabilitation of 39 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Micon Real Estate and is located in Senate District 14 and Assembly District 26.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

**Project Number** CA-16-098

**Project Name** Delta Vista Manor  
**Site Address:** 701 North Ash Avenue  
Lindsay, CA 93247 County: Tulare  
**Census Tract:** 26.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$629,066	\$0
Recommended:	\$629,066	\$0

**Applicant Information**

**Applicant:** Micon Real Estate  
**Contact:** Michael L. Condry  
**Address:** 1370 Jensen, Suite B  
Sanger, CA 93657  
**Phone:** (559) 875-3330 **Fax:** (559) 875-3365  
**Email:** mcondry@miconrealestate.com

**General Partner(s) / Principal Owner(s):** Micon Real Estate  
**General Partner Type:** For Profit  
**Parent Company(ies):** Micon Real Estate  
**Developer:** Micon Real Estate  
**Investor/Consultant:** Boston Financial Investment Management  
**Management Agent(s):** Buckingham Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 13  
 Total # of Units: 40  
 No. & % of Tax Credit Units: 39 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA RHS 515/ USDA RHS 521 Rental Assistance (12 units - 30%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 4 10 %  
 50% AMI (Rural): 20 50 %  
 55% AMI (Rural): 10 25 %

**Information**

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

**Unit Mix**

4 1-Bedroom Units  
 27 2-Bedroom Units  
 9 3-Bedroom Units  


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 40 Total Units

<b>Unit Type &amp; Number</b>	<b>2016 Rents Targeted % of Area Median Income</b>	<b>2016 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
2 1 Bedroom	50%	50%	\$553
1 1 Bedroom	55%	55%	\$608
1 1 Bedroom	60%	55%	\$612
3 2 Bedrooms	30%	30%	\$398
14 2 Bedrooms	50%	50%	\$663
7 2 Bedrooms	55%	55%	\$730
3 2 Bedrooms	60%	59%	\$776
1 3 Bedrooms	30%	30%	\$459
4 3 Bedrooms	50%	50%	\$766
2 3 Bedrooms	55%	55%	\$842
1 3 Bedrooms	60%	56%	\$859
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,760,000
Construction Costs	\$0
Rehabilitation Costs	\$3,010,116
Construction Contingency	\$291,512
Relocation	\$300,000
Architectural/Engineering	\$150,000
Const. Interest, Perm. Financing	\$412,000
Legal Fees, Appraisals	\$222,500
Reserves	\$520,237
Other Costs	\$255,653
Developer Fee	\$719,960
Commercial Costs	\$0
<b>Total</b>	<b>\$7,641,978</b>

**Project Financing**

Estimated Total Project Cost:	\$7,641,978
Estimated Residential Project Cost:	\$7,641,978
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$91
Per Unit Cost:	\$191,049
True Cash Per Unit Cost*:	\$191,049

**Construction Financing**

Source	Amount
Rabo Bank	\$3,735,615
USDA RHS 515 Loan (Assumed)	\$1,325,566
Existing Reserves	\$68,000
Deferred Developer Fee	\$719,960
Tax Credit Equity	\$1,792,837

**Permanent Financing**

Source	Amount
Bonneville Mortgage	\$340,288
USDA RHS 515 Loan (Assumed)	\$1,325,566
Tax Credit Equity	\$5,976,124
<b>TOTAL</b>	<b>\$7,641,978</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,943,997
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,576,898
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,427,196
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,576,898
Applicable Rate:	3.21%
Maximum Annual Federal Credit, Rehabilitation:	\$578,448
Maximum Annual Federal Credit, Acquisition:	\$50,618
Total Maximum Annual Federal Credit:	\$629,066
Approved Developer Fee in Project Cost:	\$719,960
Approved Developer Fee in Eligible Basis:	\$719,959
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.95000

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:	\$6,520,895
Actual Eligible Basis:	\$6,520,895
Unadjusted Threshold Basis Limit:	\$8,802,296
Total Adjusted Threshold Basis Limit:	\$8,802,296

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Final:	<b>23.570%</b>

**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, 3.21%. 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:** None.

**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, the City of Lindsay, has completed a site review of this project and 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$629,066</b>	<b>\$0</b>

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Cost Efficiency	20	3	3
Public Funds	20	17	17
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Van or dial-a-ride service for rural set-aside	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>138</b>	<b>138</b>	<b>138</b>

**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.**