

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 Second Round
September 21, 2016

Tehachapi Manor II, located at 654 West E Street in Tehachapi, requested and is being recommended for a reservation of \$366,095 in annual federal tax credits and \$1,125,944 in total state tax credits to finance the acquisition and rehabilitation of 43 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by PK Development Group, LLC and is located in Senate District 16 and Assembly District 34.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-16-104

Project Name Tehachapi Manor II
Site Address: 654 West E Street
Tehachapi, CA 93561 County: Kern
Census Tract: 61.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$366,095	\$1,125,944
Recommended:	\$366,095	\$1,125,944

Applicant Information

Applicant: PK Tehachapi Senior, LP
Contact: Christopher Potterpin
Address: 14131 Yorba Street
Tustin, CA 92780
Phone: (517) 347-9662 Fax: (517) 347-2010
Email: cpotterpin@pkhousing.com

General Partner(s) / Principal Owner(s): Riverside Charitable Corporation
PK Tehachapi Senior, LLC
General Partner Type: Joint Venture
Parent Company(ies): Riverside Charitable Corporation
PK Tehachapi Senior, LLC
Developer: PK Development Group, LLC
Investor/Consultant: Alliant Capital, Ltd.
Management Agent(s): Interstate Realty Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 22
 Total # of Units: 44
 No. & % of Tax Credit Units: 43 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 515 / USDA RHS 521 Rental Assistance (43 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 50% AMI (Rural): 22 50 %
 55% AMI (Rural): 11 25 %

Information

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

Unit Mix

40 1-Bedroom Units
 4 2-Bedroom Units

 44 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>
4 1 Bedroom	30%	30%	\$331
20 1 Bedroom	50%	50%	\$553
11 1 Bedroom	55%	50%	\$553
5 1 Bedroom	60%	50%	\$553
1 2 Bedrooms	30%	30%	\$398
2 2 Bedrooms	50%	50%	\$663
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,735,000
Construction Costs	\$0
Rehabilitation Costs	\$2,556,322
Construction Contingency	\$211,632
Relocation	\$44,000
Architectural/Engineering	\$116,352
Const. Interest, Perm. Financing	\$218,000
Legal Fees, Appraisals	\$122,500
Reserves	\$492,945
Other Costs	\$171,774
Developer Fee	\$531,541
Commercial Costs	\$0
Total	\$6,200,066

Project Financing

Estimated Total Project Cost:	\$6,200,066
Estimated Residential Project Cost:	\$6,200,066
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$87
Per Unit Cost:	\$140,911
True Cash Per Unit Cost*:	\$140,264

Construction Financing

Source	Amount
Chase Bank	\$2,834,090
USDA RHS 515 Loan (Assumed)	\$1,250,000
Existing Reserves	\$242,945
Deferred Developer Fee	\$531,541
Tax Credit Equity	\$1,341,490

Permanent Financing

Source	Amount
USDA RHS 515 Loan (Assumed)	\$1,250,000
Existing Reserves	\$450,000
Deferred Developer Fee	\$28,432
Tax Credit Equity	\$4,471,634
TOTAL	\$6,200,066

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,753,147
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$882,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,753,147
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$882,000
Applicable Rate:	3.21%
Maximum Annual Federal Credit, Rehabilitation:	\$337,783
Maximum Annual Federal Credit, Acquisition:	\$28,312
Total Maximum Annual Federal Credit:	\$366,095
Total State Credit:	\$1,125,944
Approved Developer Fee (in Project Cost & Eligible Basis):	\$531,541
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$1.00000
State Tax Credit Factor:	\$0.72000

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:	\$4,635,147
Actual Eligible Basis:	\$4,635,147
Unadjusted Threshold Basis Limit:	\$9,126,480
Total Adjusted Threshold Basis Limit:	\$9,126,480

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Seniors
Final:	33.615%

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 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
\$366,095	\$1,125,944

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	15	15	15
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 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
Senior project within 1 mile of daily operated senior center/facility	3	3	3
Within 1 mile of medical clinic or hospital	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. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
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
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.