

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2017 First Round**  
**June 7, 2017**

Kings Canyon, located at 5070 East Kings Canyon Road in Fresno, requested and is being recommended for a reservation of \$1,005,183 in annual federal tax credits and \$4,001,238 in total state tax credits to finance the new construction of 134 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 Cesar Chavez and will be located in Senate District 14 and Assembly District 31.

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

**Project Number** CA-17-725

**Project Name** Kings Canyon  
 Site Address: 5070 East Kings Canyon Road  
 Fresno, CA 93727 County: Fresno  
 Census Tract: 14.070

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,005,183	\$4,001,238
Recommended:	\$1,005,183	\$4,001,238

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

**Applicant Information**

Applicant: Vista Del Monte Affordable Housing, Inc.  
 Contact: Kristopher Forsythe  
 Address: 316 West 2nd Street, Suite 600  
 Los Angeles, CA 90403  
 Phone: 213.362.0260  
 Email: kforsythe@chavezfoundation.org

General Partner(s) / Principal Owner(s): Kings Canyon Affordable Housing, LLC  
 General Partner Type: Nonprofit  
 Parent Company(ies): Vista Del Monte Affordable Housing, Inc.  
 Developer: Cesar Chavez Foundation, Inc.  
 Investor/Consultant: R4 Capital  
 Management Agent: Cesar Chavez Foundation, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 2  
Total # of Units: 135  
No. & % of Tax Credit Units: 134 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 14 10 %  
35% AMI: 14 10 %  
40% AMI: 14 10 %  
45% AMI: 14 10 %  
50% AMI: 14 10 %  
Affordability Breakdown by % (Basis Limit Increase):  
Number of Units @ or below 35% of area median income: 28  
Number of Units @ or below 50% of area median income: 42  
Number of Units @ or below 60% of area median income: 64

**Bond Information**

Issuer: CSCDA  
Expected Date of Issuance: 09/15/17  
Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
Geographic Area: Central Valley Region  
TCAC Project Analyst: Lucy Vang

**Unit Mix**

65 1-Bedroom Units
36 2-Bedroom Units
34 3-Bedroom Units
<hr/>
135 Total Units

<u>Unit Type &amp; 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>
6 1 Bedroom	30%	30%	\$332
14 1 Bedroom	35%	35%	\$387
14 1 Bedroom	50%	50%	\$553
31 1 Bedroom	60%	60%	\$664
4 2 Bedrooms	30%	30%	\$398
14 2 Bedrooms	45%	45%	\$597
17 2 Bedrooms	60%	60%	\$796
4 3 Bedrooms	30%	30%	\$460
14 3 Bedrooms	40%	40%	\$613
16 3 Bedrooms	60%	60%	\$919
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$28,460,520

**Project Cost Summary at Application**

Land and Acquisition	\$1,394,320
Construction Costs	\$0
Rehabilitation Costs	\$23,060,567
Construction Contingency	\$778,669
Relocation	\$0
Architectural/Engineering	\$652,055
Const. Interest, Perm. Financing	\$1,741,850
Legal Fees, Appraisals	\$185,000
Reserves	\$394,294
Other Costs	\$2,612,544
Developer Fee	\$4,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$34,819,299</b>

**Project Financing**

Estimated Total Project Cost:	\$34,819,299
Estimated Residential Project Cost:	\$34,819,299
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$149
Per Unit Cost:	\$257,921
True Cash Per Unit Cost*:	\$225,551

**Construction Financing**

Source	Amount
Citi - Construction Loan	\$25,000,000
HCD - AHSC Grants	\$715,672
Fresno - Waived Fees	\$635,520
Fresno - Land Donation	\$904,000
Deferred Fees and Costs	\$4,121,907
Tax Credit Equity	\$3,442,200

**Permanent Financing**

Source	Amount
Citi - Permanent Loan	\$2,070,000
HCD - AHSC Loan	\$14,863,754
HCD - AHSC Grants	\$715,672
Fresno - Fee Waivers	\$635,520
Fresno - Land Donation	\$904,000
Deferred Developer Fee	\$2,830,353
Tax Credit Equity	\$12,800,000
<b>TOTAL</b>	<b>\$34,819,299</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$30,928,695
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$30,928,695
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$1,005,183
Total State Credit:	\$4,001,238
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,000,000
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.94500
State Tax Credit Factor:	\$0.82500

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:	\$30,928,695
Actual Eligible Basis:	\$30,928,695
Unadjusted Threshold Basis Limit:	\$37,673,598
Total Adjusted Threshold Basis Limit:	\$72,496,573

**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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 31%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 40%

**Tie-Breaker Information**

Final: **71.403%**

**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 3.25% 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:** 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,005,183</b>	<b>\$4,001,238</b>

### **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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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>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>
Within 1/2 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/4 mile of a public elementary school	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	0
Within 1/2 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
After school program for school age children, minimum of 6 hours/week	3	3	3
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	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>Total Points</b>	<b>116</b>	<b>116</b>	<b>116</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.**