

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 Second Round
September 20, 2017

Parkwood Manor, located at 414-498 W. Meadow Drive & 414-430 West Beechwood Drive in Tulare, requested and is being recommended for a reservation of \$1,094,884 in annual federal tax credits and \$3,334,380 in total state tax credits to finance the acquisition and rehabilitation of 74 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 DBR Development LLC and is located in Senate District 16 and Assembly District 26.

Project Number CA-17-129

Project Name Parkwood Manor
 Site Address: 414 - 498 W Meadow Drive & 414 - 430 West Beechwood Drive
 Tulare, CA 93274 County: Tulare
 Census Tract: 30.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,094,884	\$3,334,380
Recommended:	\$1,094,884	\$3,334,380

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: DBR Development LLC
 Contact: David Billings
 Address: 990 Highland Drive, Suite 110J
 Solana Beach, CA 92075
 Phone: (760) 579-3191 Fax: (858) 481-4312
 Email: dbrllc@sbcglobal.net

General Partner(s) / Principal Owner(s): DBR Development LLC
 AOF/Pacific Affordable Housing Corp.

General Partner Type: Joint Venture

Parent Companies: DBR Development LLC
 The American Opportunity Foundation, Inc.

Developer: DBR Development LLC

Investor/Consultant: RBC Tax Credit Equity, LLC

Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 19
 Total # of Units: 75
 No. & % of Tax Credit Units: 74 100%
 Federal Set-Aside Elected: 40%/60%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 8 10 %
 35% AMI: 8 10 %
 40% AMI: 8 10 %
 50% AMI: 19 25 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

45 2-Bedroom Units
 30 3-Bedroom Units

 75 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 2 Bedrooms	30%	30%	\$405
8 2 Bedrooms	35%	35%	\$472
8 2 Bedrooms	40%	40%	\$540
19 2 Bedrooms	50%	50%	\$675
5 2 Bedrooms	60%	60%	\$810
3 3 Bedrooms	30%	30%	\$467
26 3 Bedrooms	60%	60%	\$934
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$15,647,280

Project Cost Summary at Application

Land and Acquisition	\$7,300,000
Construction Costs	\$0
Rehabilitation Costs	\$7,834,000
Construction Contingency	\$780,900
Relocation	\$212,500
Architectural/Engineering	\$120,000
Const. Interest, Perm. Financing	\$626,700
Legal Fees, Appraisals	\$125,000
Reserves	\$443,945
Other Costs	\$540,135
Developer Fee	\$1,918,871
Commercial Costs	\$0
Total	\$19,902,051

Project Financing

Estimated Total Project Cost:	\$19,902,051
Estimated Residential Project Cost:	\$19,902,051
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$92
Per Unit Cost:	\$265,361
True Cash Per Unit Cost*:	\$210,167

Construction Financing

Source	Amount
Citi Community Capital	\$9,300,000
Land Donation	\$4,109,925
HUD - RHCP**	\$3,190,075
Deferred Developer Fee	\$787,559
Tax Credit Equity	\$2,514,492

Permanent Financing

Source	Amount
Land Donation	\$4,109,925
HUD - RHCP**	\$3,190,075
Deferred Developer Fee	\$29,590
Tax Credit Equity	\$12,572,461
TOTAL	\$19,902,051

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

** Rental Housing Construction Program - Original loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,114,600
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$2,927,877
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,114,600
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$2,927,877
Applicable Rate:	3.23%
Maximum Annual Federal Credit, Rehabilitation:	\$1,000,314
Maximum Annual Federal Credit, Acquisition:	\$94,570
Total Maximum Annual Federal Credit:	\$1,094,884
Total State Credit:	\$3,334,380
Approved Developer Fee in Project Cost:	\$1,918,871
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	RBC Tax Credit Equity, LLC
Federal Tax Credit Factor:	\$0.91991
State Tax Credit Factor:	\$0.74993

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$14,042,477
Actual Eligible Basis:	\$14,042,477
Unadjusted Threshold Basis Limit:	\$21,083,520
Total Adjusted Threshold Basis Limit:	\$21,083,520

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Large Family
Final:	46.242%

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, 3.23%. 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
\$1,094,884	\$3,334,380

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
Cost Efficiency	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
Within ½ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within .5 miles of a Public Middle School within attendance boundary	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
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%	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.