

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2009 Single Round

September 10, 2009

Project Number CA-2009-053

Project Name Parc Grove Commons II Apartments

Site Address: Southeast Corner of Fresno Street & Clinton Avenue

Fresno, CA 93703

County: Fresno

Census Tract: 0034.00

Applicant Information

Applicant: Parc Grove Commons II, LP

Contact: Preston Prince

Address: 1331 Fulton Mall

Fresno, CA 93721

Phone: (559) 443-8475

Fax: (559) 445-8981

Email: pprince@hafresno.org

General Partner Type: Nonprofit

Information

Set-Aside: N/A

Housing Type: Large Family

Geographic Area: Central

Tax Credit Amounts

Federal/Annual

State/Total

Requested:

\$2,500,000

\$8,324,665

Recommended:

\$2,500,000

\$8,324,665

Project Information

Construction Type: New Construction

Federal Subsidy: City of Fresno HOME, HUD Section 8

Total # of Units: 215

Total # Residential Buildings: 17

Federal Set-Aside Elected: 40%/60%

% & No. of Tax Credit Units: 100% - 213 units

Eligible Basis

Requested: \$37,430,799

Actual: \$37,430,799

Maximum Permitted: \$46,022,074

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Public Funds	20	20	20
<i>Owner / Management Characteristics</i> Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	2	2	2
<input checked="" type="checkbox"/> Large Family project within ½ mile of public school that project children may attend	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<i>Lowest Income</i> Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum 20 points	20	20	20
<i>State Credit Substitution</i> Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **Large Family**
 Second: Calculated Ratio per Regulation 10325(c)(10) **55.735%**

Unit Type & Number	2009 Rents % of Area Median Income (rounded)	Proposed Rent (including utilities)
7 One-bedroom Units	30%	\$313
15 One-bedroom Units	40%	\$418
1 One-bedroom Unit	50%	\$523
7 One-bedroom Units	60%	\$627
31 Two-bedroom Units	30%	\$376
1 Two-bedroom Unit	40%	\$502
12 Two-bedroom Units	45%	\$564
11 Two-bedroom Units	50%	\$627
47 Two-bedroom Units	60%	\$753
11 Three-bedroom Units	30%	\$435
9 Three-bedroom Units	45%	\$653
9 Three-bedroom Units	50%	\$725
45 Three-bedroom Units	60%	\$870
2 Four-bedroom Units	30%	\$485
1 Four-bedroom Unit	45%	\$727
1 Four-bedroom Unit	50%	\$808
3 Four-bedroom Units	60%	\$970
1 Two-bedroom Unit	Manager's Unit	\$0
1 Three-bedroom Unit	Manager's Unit	\$0

The general partners are Housing Authority of the City of Fresno and Silvercrest, Inc.

The project developer is Parc Grove Commons II, LP.

The management agent is GSF Properties, Inc.

The market analyst is Raney Planning & Management.

The Local Reviewing Agency, City of Fresno – Housing and Community Development Division, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$42,618,986 Per Unit Cost: \$198,228 Construction Cost Per Sq. Foot: \$165

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America	\$21,000,000	Bank of America – Loan A	\$5,568,005
AHP	\$1,000,000	Bank of America – Loan B	\$2,388,495
City of Fresno HOME	\$2,000,000	Housing Authority of the City of Fresno	\$10,000,154
Housing Authority of the City of Fresno	\$10,000,154	City of Fresno HOME	\$2,000,000
Deferred Developer Fee	\$2,120,132	AHP	\$1,000,000
Investor Equity	\$6,498,700	Investor Equity	\$21,662,332
		TOTAL	\$42,618,986

Determination of Credit Amount(s)

Requested Eligible Basis:	\$37,430,799
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$37,430,799
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$8,324,665
Approved Developer Fee in Project Cost	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,680,000
Investor:	Centerline Capital
Federal Tax Credit Factor:	\$0.70
State Tax Credit Factor:	\$0.50

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.50%. 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.

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
\$2,500,00	\$8,324,665

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the “10%” test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation

application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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 ten 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)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Elaine Johnson