

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2015 First Round**  
**June 10, 2015**

**Project Number** CA-15-033

**Project Name** Franco Center Apartments  
 Site Address: 144 Mun Kwok Lane  
 Stockton, CA 95202 County: San Joaquin  
 Census Tract: 1.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,022,372	\$0
Recommended:	\$1,022,372	\$0

**Applicant Information**

Applicant: Franco Community Partners, LP  
 Contact: Seth Gellis  
 Address: 17782 Sky Park Circle  
 Irvine, CA 92614  
 Phone: 949-236-8280 Fax: 714-662-4412  
 Email: sgellis@wncinc.com

General Partner(s) / Principal Owner(s): WNC – Franco G/P, LLC  
 RAHC WNC GP, LLC  
 General Partner Type: Joint Venture  
 Parent Company(ies): WNC Development Partners, LLC  
 Rainbow Housing Assistance Corp.  
 Developer: Community Preservation Partners, LLC  
 Investor/Consultant: WNC & Associates  
 Management Agent(s): John Stewart Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 112  
 No. & % of Tax Credit Units: 111 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Project-based Section 8 Contract (110 units - 99%)  
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	12	10 %
40% AMI:	23	20 %
50% AMI:	55	40 %

**Information**

Set-Aside: At-Risk  
 Housing Type: At-Risk  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

28 SRO/Studio Units  
 81 1-Bedroom Units  
 3 2-Bedroom Units  


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 112 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	60%	60%	\$630
3 SRO/Studio	60%	60%	\$630
14 SRO/Studio	50%	50%	\$525
2 SRO/Studio	50%	50%	\$525
2 SRO/Studio	40%	40%	\$420
1 SRO/Studio	40%	40%	\$420
2 SRO/Studio	30%	30%	\$315
1 SRO/Studio	30%	30%	\$315
15 1 Bedroom	60%	60%	\$675
38 1 Bedroom	50%	50%	\$562
1 1 Bedroom	50%	50%	\$562
19 1 Bedroom	40%	40%	\$450
7 1 Bedroom	30%	30%	\$337
1 1 Bedroom	30%	30%	\$337
1 2 Bedrooms	40%	40%	\$540
1 2 Bedrooms	30%	30%	\$405
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$5,221,214
Construction Costs	\$0
Rehabilitation Costs	\$5,372,721
Construction Contingency	\$542,638
Relocation	\$100,000
Architectural/Engineering	\$110,000
Construction Interest, Perm Financing	\$1,392,531
Legal Fees, Appraisals	\$192,500
Reserves	\$992,000
Other Costs	\$374,494
Developer Fee	\$1,822,109
Commercial Costs	\$403,786
<b>Total</b>	<b>\$16,523,993</b>

**Project Financing**

Estimated Total Project Cost:	\$16,523,993
Estimated Residential Project Cost:	\$16,120,207
Estimated Commercial Project Cost	\$403,786

**Residential**

Construction Cost Per Square Foot:	\$69
Per Unit Cost:	\$143,930

**Construction Financing**

Source	Amount
Citibank, N.A.	\$9,000,000
Net Operating Income	\$480,746
General Partner Equity	\$378,786
Deferred Developer Fee	\$1,822,109
Tax Credit Equity	\$4,842,352

**Permanent Financing**

Source	Amount
Citibank, N.A.	\$6,400,000
Net Operating Income	\$480,746
General Partner Equity	\$378,786
Deferred Developer Fee	\$63,114
Tax Credit Equity	\$9,201,347
<b>TOTAL</b>	<b>\$16,523,993</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$8,612,093
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,891,545
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,195,721
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$4,891,545
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$860,951
Maximum Annual Federal Credit, Acquisition:	\$161,421
Total Maximum Annual Federal Credit:	\$1,022,372
Approved Developer Fee in Project Cost:	\$1,822,109
Approved Developer Fee in Eligible Basis:	\$1,356,247
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.90000

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:	\$13,503,638
Actual Eligible Basis:	\$13,503,638
Unadjusted Threshold Basis Limit:	\$17,406,155
Total Adjusted Threshold Basis Limit:	\$17,406,155

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Second:	<b>19.481%</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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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:**

Staff noted the developer fee cost was in excess of the limit required by regulation. The cost was adjusted accordingly and the developer fee was reduced by \$37,745 in order to meet the limits required by regulation. The change did not affect the amount of credits recommended.

The applicant has requested and been granted a waiver to the unit value ratio for the studio tax credit units as allowed in TCAC Regulation Section 10325(f)(1)(B)(ii).

The owner is paying for all the utilities at the project.

**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>\$1,022,372</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 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) 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	9	9
Public Funds	20	11	11
<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 ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ¼ mile of a weekly farmers' market operating at least 5 months/yr.	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
In-unit high speed internet service	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>10</b>	<b>10</b>	<b>10</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating):	7	7	7
Additional rehab measures: PV generation that offsets either 50% of common area load or 90% of solar accessible roof area	3	3	3
<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>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>0</b>
Qualified Census Tract	2	2	0
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>146</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.**