

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 Second Round**

**September 23, 2015**

Alberta Gardens Apartments, located at 6024 Alberta Avenue in Linda, CA, requested and is being recommended for a reservation of \$523,463 in annual federal tax credits to finance the acquisition and rehabilitation of 47 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Micon Real Estate and will be located in Senate District 4 and Assembly District 3.

The project is currently At-Risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

**Project Number** CA-15-116

**Project Name** Alberta Gardens Apartments  
Site Address: 6024 Alberta Avenue  
Linda, CA 95901 County: Yuba  
Census Tract: 403.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$523,463	\$0
Recommended:	\$523,463	\$0

**Applicant Information**

Applicant: Micon Real Estate  
Contact: Michael L. Condry  
Address: 1370 Jensen, Suite B  
Sanger, CA 93657  
Phone: (559) 875-3330 Fax: (559) 875-3365  
Email: mcondry@miconrealestate.com

General Partner(s) / Principal Owner(s): Central Valley Coalition for Affordable Housing  
Marysville Alberta Gardens, LLC  
General Partner Type: Joint Venture  
Parent Company(ies): Central Valley Coalition for Affordable Housing  
Micon Real Estate  
Developer: Micon Real Estate  
Investor/Consultant: Boston Financial  
Management Agent(s): FPI Management, Inc.

**Project Information**

Construction Type: Acquisition and Rehabilitation  
 Total # Residential Buildings: 3  
 Total # of Units: 48  
 No. & % of Tax Credit Units: 47 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA RHS 515 Loan / USDA RHS 521 (43 Units - 91%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 5 10 %  
 40% AMI: 5 10 %  
 45% AMI: 22 45 %

**Information**

Set-Aside: At-Risk  
 Housing Type: At-Risk  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Mayra Lozano

**Unit Mix**

16 1-Bedroom Units  
 32 2-Bedroom Units  


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 48 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$320
1 1 Bedroom	40%	40%	\$427
7 1 Bedroom	45%	45%	\$480
7 1 Bedroom	60%	60%	\$641
4 2 Bedrooms	30%	30%	\$384
4 2 Bedrooms	40%	40%	\$513
15 2 Bedrooms	45%	45%	\$577
8 2 Bedrooms	60%	60%	\$769
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,100,000
Construction Costs	\$0
Rehabilitation Costs	\$3,028,286
Construction Contingency	\$297,429
Relocation	\$300,000
Architectural/Engineering	\$105,000
Construction Interest, Perm Financing	\$292,500
Legal Fees, Appraisals	\$262,000
Reserves	\$329,500
Other Costs	\$220,459
Developer Fee	\$687,350
Commercial Costs	\$0
<b>Total</b>	<b>\$6,622,524</b>

**Project Financing**

Estimated Total Project Cost:	\$6,622,524
Estimated Residential Project Cost:	\$6,622,524

**Residential**

Construction Cost Per Square Foot:	\$84
Per Unit Cost:	\$137,969

**Construction Financing**

Source	Amount
Rabobank	\$4,111,572
USDA RHS 515 (Assumed)	\$398,000
Existing Reserves	\$94,500
Deferred Developer Fee	\$687,350
Tax Credit Equity	\$1,331,102

**Permanent Financing**

Source	Amount
Bonneville - USDA RHS 538	\$1,303,972
USDA RHS 515 (Assumed)	\$398,000
Tax Credit Equity	\$4,920,552
<b>TOTAL</b>	<b>\$6,622,524</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,920,235
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$957,180
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,396,306
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$957,180
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$491,876
Maximum Annual Federal Credit, Acquisition:	\$31,587
Total Maximum Annual Federal Credit:	\$523,463
Approved Developer Fee (in Project Cost & Eligible Basis):	\$687,350
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.94000

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:	\$5,877,415
Actual Eligible Basis:	\$5,877,415
Unadjusted Threshold Basis Limit:	\$9,595,968
Total Adjusted Threshold Basis Limit:	\$9,595,968

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Second:	<b>11.135%</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:** 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, County of Yuba, has completed a site review of this project and strongly supports this project.

**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>\$523,463</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	14	14
Public Funds	20	6	6
<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>8</b>	<b>6</b>
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	2	2	0
Within 1 mile of medical clinic or hospital	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, minimum 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): 20%	5	5	5
Additional rehab measures: PV generation that offsets either 50% of	3	3	3
Additional rehab measures: Sustainable Building Mgmt Practices	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>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>141</b>	<b>139</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.**