

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Lowell Neighborhood Project, is a scattered site project, located at 240-250 N. Calaveras Street and 146 N. Glenn Avenue in Fresno, CA, requested and is being recommended for a reservation of \$507,805 in annual federal tax credits to finance the new construction of 8 units and the rehabilitation of 22 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 Lowell Neighborhood Project, LP and will be located in Senate District 14 and Assembly District 31.

Project Number CA-15-119

Project Name Lowell Neighborhood Project
Site Address: 240-250 N. Calaveras Street and 146 N. Glenn Avenue
Fresno, CA 93701 County: Fresno
Census Tract: 6.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$507,805	\$0
Recommended:	\$507,805	\$0

Applicant Information

Applicant: Lowell Neighborhood Project, LP
Contact: Preston Prince
Address: 1331 Fulton Mall
Fresno, CA 93721
Phone: 559-443-8475 Fax: 559-445-8981
Email: pprince@fresnohousing.org

General Partner(s) / Principal Owner(s): Silvercrest, Inc.
Lowell Neighborhood Project AGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): Housing Authority of City of Fresno
Housing Authority of City of Fresno
Developer: Lowell Neighborhood Project, LP
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): GSF Properties Inc.

Project Information

Construction Type: New Construction / Rehabilitation-Only
 Total # Residential Buildings: 6
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 10 %
 45% AMI: 8 25 %
 50% AMI: 12 40 %

Information

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

Unit Mix

2 SRO/Studio Units
 14 1-Bedroom Units
 5 2-Bedroom Units
 9 3-Bedroom Units

 30 Total Units

<u>Unit Type & 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 2 Bedrooms	30%	30%	\$384
1 3 Bedrooms	30%	30%	\$444
1 SRO/Studio	45%	45%	\$448
3 1 Bedroom	45%	45%	\$480
2 2 Bedrooms	45%	45%	\$577
2 3 Bedrooms	45%	45%	\$666
8 1 Bedroom	50%	50%	\$534
4 3 Bedrooms	50%	50%	\$740
1 SRO/Studio	60%	58%	\$581
2 1 Bedroom	60%	60%	\$641
1 2 Bedrooms	60%	60%	\$769
2 3 Bedrooms	60%	60%	\$888
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,109,040
Construction Costs	\$2,146,150
Rehabilitation Costs	\$1,470,000
Construction Contingency	\$258,260
Relocation	\$150,000
Architectural/Engineering	\$277,950
Construction Interest, Perm Financing	\$248,115
Legal Fees, Appraisals	\$93,500
Reserves	\$40,000
Other Costs	\$287,231
Developer Fee	\$721,544
Commercial Costs	\$0
Total	\$6,801,790

Project Financing

Estimated Total Project Cost:	\$6,801,790
Estimated Residential Project Cost:	\$6,801,790

Residential

Construction Cost Per Square Foot:	\$140
Per Unit Cost:	\$226,726

Construction Financing

Source	Amount
US Bank	\$3,994,018
City of Fresno - HOME	\$1,200,000
Accrued Interest	\$37,200
Housing Relinquished Fund Corp.	\$680,000
Accrued Interest	\$28,107
Deferred Costs	\$484,817
Tax Credit Equity	\$377,648

Permanent Financing

Source	Amount
City of Fresno - HOME	\$1,200,000
Accrued Interest	\$37,200
Housing Relinquished Fund Corp.	\$680,000
Accrued Interest	\$28,107
Tax Credit Equity	\$4,856,483
TOTAL	\$6,801,790

Determination of Credit Amount(s)

Requested Eligible Basis (NC/Rehabilitation):	\$5,079,569
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (NC/Rehabilitation):	\$6,603,440
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$507,805
Approved Developer Fee (in Project Cost & Eligible Basis):	\$721,544
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.95637

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:	\$5,079,569
Actual Eligible Basis:	\$5,531,835
Unadjusted Threshold Basis Limit:	\$5,723,584
Total Adjusted Threshold Basis Limit:	\$5,803,203

Adjustments to Basis Limit:

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	35.577%

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:

This project is a scattered site project consisting of both new construction and rehabilitation. The 146 N. Glenn Avenue site will include the new construction of 8 three-bedroom units. The 240-250 N. Calaveras Street site will include the rehabilitation of 22 existing units.

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, City of Fresno, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$507,805	\$0

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	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 ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ 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 ¼ mile of a public elementary school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	3	3	3
After school program for school age children, minimum of 4 hours/week	2	2	2
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 40.0%	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
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	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.