

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 First Round

June 8, 2016

New Zion Manor, located at 2000 Jubilee Court in San Bernardino, requested and is being recommended for a reservation of \$1,464,020 in annual federal tax credits to finance the acquisition and rehabilitation of 125 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by ACD Partners XXV, LLC and is located in Senate District 20 and Assembly District 47.

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 a HUD Section 8 Project-based Contract.

Project Number CA-16-012

Project Name New Zion Manor
Site Address: 2000 Jubilee Court
San Bernardino, CA 92411 County: San Bernardino
Census Tract: 42.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,464,020	\$0
Recommended:	\$1,464,020	\$0

Applicant Information

Applicant: New Zion Manor 2016 Limited Partnership
Contact: Derek M. Skrzynski
Address: 20250 Harper Avenue
Detroit, MI 48225
Phone: (424) 832-3665 **Fax:** (313) 884-0722
Email: derek@acdmail.com

General Partner(s) / Principal Owner(s): AOF New Zion LLC
American Community Developers, Inc.
General Partner Type: Joint Venture
Parent Company(ies): AOF/Pacific Affordable Housing Corp.
American Community Developers, Inc.
Developer: ACD Partners XXV, LLC
Investor/Consultant: Wells Fargo
Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 31
 Total # of Units: 125
 No. & % of Tax Credit Units: 125 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD 221(d)(4) / HUD Section 8 Project-Based Contract (125 Units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 19 15 %
 40% AMI: 19 15 %
 50% AMI: 50 40 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

30 1-Bedroom Units
 63 2-Bedroom Units
32 3-Bedroom Units
 125 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>
7 1 Bedroom	30%	30%	\$349
19 1 Bedroom	40%	40%	\$466
2 1 Bedroom	60%	60%	\$699
2 1 Bedroom	60%	60%	\$699
7 2 Bedrooms	30%	30%	\$419
50 2 Bedrooms	50%	50%	\$698
3 2 Bedrooms	60%	60%	\$838
3 2 Bedrooms	60%	60%	\$838
5 3 Bedrooms	30%	30%	\$484
26 3 Bedrooms	60%	60%	\$969
1 3 Bedrooms	60%	60%	\$969

Project Cost Summary at Application

Land and Acquisition	\$13,035,000
Construction Costs	\$0
Rehabilitation Costs	\$9,116,441
Construction Contingency	\$906,794
Relocation	\$250,000
Architectural/Engineering	\$120,030
Const Interest, Perm Financing	\$1,434,763
Legal Fees, Appraisals	\$237,100
Reserves	\$2,195,842
Other Costs	\$589,315
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$29,885,285

Project Financing

Estimated Total Project Cost:	\$29,885,285
Estimated Residential Project Cost:	\$29,885,285
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$82
Per Unit Cost:	\$239,082
Effective Per Unit Cost*:	\$231,082

Construction Financing

Source	Amount
PNC Bank - HUD 221(d)(4) Tranche A	\$915,751
PNC Bank - HUD 221(d)(4) Tranche B	\$12,745,249
Tax Credit Equity	\$11,073,549

Permanent Financing

Source	Amount
PNC Bank - HUD 221(d)(4) Tranche A	\$915,751
PNC Bank - HUD 221(d)(4) Tranche B	\$12,745,249
Deferred Developer Fee	\$999,995
Tax Credit Equity	\$15,224,290
TOTAL	\$29,885,285

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,481,679
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,759,202
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$14,926,182
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$3,759,202
Applicable Rate:	3.21%
Maximum Annual Federal Credit, Rehabilitation:	\$1,343,350
Maximum Annual Federal Credit, Acquisition:	\$120,670
Total Maximum Annual Federal Credit:	\$1,464,020
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	\$1.03990

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

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:	\$15,240,881
Actual Eligible Basis:	\$22,974,881
Unadjusted Threshold Basis Limit:	\$29,579,356
Total Adjusted Threshold Basis Limit:	\$35,495,227

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Tie-Breaker Information

First:	At-Risk
Final:	42.769%

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, 3.21%. 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

The project will have one (1) on-site manager's unit (one-bedroom unit) that will be occupied by a qualified low-income tenant.

The applicant requested and was granted a waiver from consulting with the design team and energy analyst to evaluate and consider energy efficiency or generation measures beyond those that are required under TCAC Regulation Section 10325(f)(7)(A).

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, the City of San Bernardino, has completed a site review of this project and 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
\$1,464,020

State Tax Credits/Total
\$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 (van or dial-a-ride service for rural set-aside)	4	4	4
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
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
Within ½ mile of a pharmacy	2	2	2
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
After school program for school age children, minimum of 6 hours/week	3	3	3
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	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.