

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2016 First Round**  
**June 8, 2016**

Villa Del Comanche Apartments, located at 1501 & 1507 Bear Mountain Boulevard in Arvin, requested and is being recommended for a reservation of \$475,463 in annual federal tax credits to finance the acquisition and rehabilitation of 56 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Highland Property Development LLC and is located in Senate District 14 and Assembly District 32.

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-16-043

**Project Name** Villa del Comanche Apartments  
 Site Address: 1501 & 1507 Bear Mountain Boulevard  
 Arvin, CA 93203 County: Kern  
 Census Tract: 63.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$475,463	\$0
Recommended:	\$475,463	\$0

**Applicant Information**

Applicant: VDC GP LLC  
 Contact: Paul Patierno  
 Address: 250 West Colorado Boulevard, Suite 210  
 Arcadia, CA 91007  
 Phone: (626) 698-6357 Fax: (626) 698-6365  
 Email: p.patierno@highlandcompanies.com

General Partner(s) / Principal Owner(s): VDC GP LLC  
 National Housing Corporation  
 General Partner Type: Joint Venture  
 Parent Company(ies): VDC GP LLC  
 National Housing Corporation  
 Developer: VDC GP LLC  
 Investor/Consultant: Boston Financial Investment Management  
 Management Agent(s): AWI Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 7  
 Total # of Units: 57  
 No. & % of Tax Credit Units: 56 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Contract (56 units - 100%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 6 10 %  
 45% AMI: 14 25 %  
 50% AMI (Rural): 23 40 %

**Information**

Set-Aside: Rural  
 Housing Type: At-Risk  
 Geographic Area: N/A  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

40 2-Bedroom Units  
 17 3-Bedroom Units  


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 57 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>
4 2 Bedrooms	30%	30%	\$384
2 3 Bedrooms	30%	30%	\$444
10 2 Bedrooms	45%	45%	\$577
4 3 Bedrooms	45%	45%	\$666
16 2 Bedrooms	50%	50%	\$641
7 3 Bedrooms	50%	50%	\$740
10 2 Bedrooms	60%	60%	\$769
3 3 Bedrooms	60%	60%	\$888
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,700,000
Construction Costs	\$0
Rehabilitation Costs	\$2,899,250
Construction Contingency	\$250,800
Relocation	\$10,000
Architectural/Engineering	\$88,500
Construction Interest, Perm Financing	\$263,440
Legal Fees, Appraisals	\$123,000
Reserves	\$359,224
Other Costs	\$87,689
Developer Fee	\$1,013,059
Commercial Costs	\$0
<b>Total</b>	<b>\$8,794,962</b>

**Project Financing**

Estimated Total Project Cost:	\$8,794,962
Estimated Residential Project Cost:	\$8,794,962
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$50
Per Unit Cost:	\$154,298
Effective Per Unit Cost*:	\$150,017

**Construction Financing**

Source	Amount
JP Morgan Chase	\$4,000,000
Income during Rehabilitation	\$154,852
Tax Credit Equity	\$3,451,371

**Permanent Financing**

Source	Amount
Tranche A	\$2,708,908
Tranche B	\$581,092
Income during Rehabilitation	\$154,852
Deferred Developer Fee	\$72,999
Tax Credit Equity	\$5,277,111
<b>TOTAL</b>	<b>\$8,794,962</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,063,789
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,282,926
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$475,463
Approved Developer Fee in Project Cost:	\$1,013,059
Approved Developer Fee in Eligible Basis:	\$691,059
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$1.10989

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:	\$4,063,789
Actual Eligible Basis:	\$7,444,789
Unadjusted Threshold Basis Limit:	\$15,168,256
Total Adjusted Threshold Basis Limit:	\$15,168,256

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Final:	<b>26.190%</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 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:** 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 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>\$475,463</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>15</b>	<b>15</b>
Within ½ mile of transit (using transit station/transit stop)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ¾ of a public elementary school within the attendance area	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	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>5</b>	<b>5</b>	<b>5</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	5	5	5
<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>15</b>	<b>15</b>	<b>15</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>138</b>	<b>138</b>	<b>138</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.**