

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 First Round

June 8, 2016

REVISED

Hotel Fresno Apartments, located at 1241-1263 Broadway Plaza in Fresno, requested and is being recommended for a reservation of \$1,018,803 in annual federal tax credits to finance the new construction and adaptive reuse of 40 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 Deep Green Housing and Community Development and will be located in Senate District 14 and Assembly District 31.

Project Number CA-16-074

Project Name Hotel Fresno Apartments
Site Address: 1241-1263 Broadway Plaza
Fresno, CA 93721 County: Fresno
Census Tract: 601900100.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,018,803	\$0
Recommended:	\$1,018,803	\$0

Applicant Information

Applicant: APEC International, LLC
Contact: Eugene Kim
Address: 770 S. Irolo Street, Suite 1000
Los Angeles CA 90005
Phone: 213-738-7389 Fax: 213-384-3847
Email: ekim@4apec.com

General Partner(s) / Principal Owner(s): Deep Green Housing and Community Development
APEC International, LLC
General Partner Type: Joint Venture
Parent Company(ies): Deep Green Housing and Community Development
APEC International, LLC
Developer: Deep Green Housing and Community Development
Investor/Consultant: Alden Capital Partners, LLC
Management Agent(s): FPI Management

Project Information

Construction Type: New Construction / Adaptive Reuse
 Total # Residential Buildings: 1
 Total # of Units: 79
 No. & % of Tax Credit Units: 40 51%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 6 15 %
 40% AMI: 9 20 %
 50% AMI: 14 35 %

Information

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

Unit Mix

39 1-Bedroom Units
 28 2-Bedroom Units
 12 3-Bedroom Units

 79 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	30%	30%	\$320
3 1 Bedroom	40%	40%	\$427
5 1 Bedroom	50%	50%	\$534
4 1 Bedroom	60%	60%	\$641
2 2 Bedrooms	30%	30%	\$384
3 2 Bedrooms	40%	40%	\$513
5 2 Bedrooms	50%	50%	\$641
4 2 Bedrooms	60%	60%	\$769
2 3 Bedrooms	30%	30%	\$444
3 3 Bedrooms	40%	40%	\$592
4 3 Bedrooms	50%	50%	\$740
3 3 Bedrooms	60%	60%	\$888
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
10 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,046
15 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,105
13 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,111

Project Cost Summary at Application

Land and Acquisition	\$2,609,678
Construction Costs	\$3,177,290
Rehabilitation Costs	\$13,494,248
Construction Contingency	\$867,969
Relocation	\$0
Architectural/Engineering	\$540,009
Const. Interest, Perm Financing	\$1,020,277
Legal Fees, Appraisals	\$164,500
Reserves	\$175,103
Other Costs	\$826,802
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$24,275,876

Project Financing

Estimated Total Project Cost:	\$24,275,876
Estimated Residential Project Cost:	\$24,275,876
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$132
Per Unit Cost:	\$307,290
Effective Per Unit Cost*:	\$301,258

Construction Financing

Source	Amount
BBCN Bank	\$12,000,000
HCD - AHSC Grant	\$3,037,676
Fresno/Housing Successor Agency	\$1,900,000
Deferred costs during construction	\$784,294
Historic Tax Credit Equity	\$3,497,497
Tax Credit Equity	\$3,056,409

Permanent Financing

Source	Amount
BBCN Bank	\$3,413,860
HCD - AHSC Grant	\$3,037,676
HCD - AHSC Loan	\$1,762,324
Fresno/Housing Successor Agency	\$1,900,000
Deferred Developer Fee	\$476,489
Historic Tax Credit Equity	\$3,497,497
Tax Credit Equity	\$10,188,030
TOTAL	\$24,275,876

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,283,873
130% High Cost Adjustment:	Yes
Applicable Fraction:	51.28%
Qualified Basis:	\$11,522,582
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,018,033
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Alden Capital Partners, LLC
Federal Tax Credit Factor:	\$1.00000

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:	\$17,283,873
Actual Eligible Basis:	\$17,283,873
Unadjusted Threshold Basis Limit:	\$15,925,402
Total Adjusted Threshold Basis Limit:	\$17,835,488

Adjustments to Basis Limit

Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	32.226%

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, City of Fresno Housing Successor Agency, 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
\$1,018,803	\$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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
In-unit high speed internet service	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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	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
Historic Preservation	1	1	1
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.