

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

Wasco Farmworker Housing Project, located at the corner of Poplar Avenue and Margalo Street in Wasco, requested and is being recommended for a reservation of \$1,261,485 in annual federal tax credits to finance the new construction of 65 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 Wasco Affordable Housing, Inc. and will be located in Senate District 16 and Assembly District 32.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-16-092

Project Name Wasco Farmworker Housing Project
Site Address: Corner of Poplar Avenue and Margalo Street
Wasco, CA 93280 County: Kern
Census Tract: 43.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,261,485	\$0
Recommended:	\$1,261,485	\$0

Applicant Information

Applicant: Housing Authority of the County of Kern
Contact: Stephen Pelz
Address: 601 24th Street
Bakersfield, CA 93301
Phone: 661-631-8500 Fax: 661-631-9500
Email: spelz@kernha.org

General Partner(s) / Principal Owner(s): Housing Authority of the County of Kern
Wasco Affordable Housing, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Housing Authority of the County of Kern
Wasco Affordable Housing, Inc.
Developer: Wasco Affordable Housing, Inc.
Investor/Consultant: PNC Real Estate
Management Agent(s): Housing Authority County of Kern

Project Information

Construction Type: New Construction
Total # Residential Buildings: 49
Total # of Units: 66
No. & % of Tax Credit Units: 65 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: High Speed Rail / USDA 521 (15 units - 23%)
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 7 10 %
45% AMI: 17 25 %
50% AMI (Rural): 26 40 %

Information

Set-Aside: Rural
Housing Type: Large Family
Geographic Area: N/A
TCAC Project Analyst: Connie Harina

Unit Mix

9 1-Bedroom Units
11 2-Bedroom Units
42 3-Bedroom Units
4 4-Bedroom Units

66 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	45%	33%	\$361
2 1 Bedroom	50%	33%	\$361
2 1 Bedroom	50%	50%	\$553
2 1 Bedroom	60%	33%	\$361
1 2 bedrooms	30%	30%	\$398
3 2 Bedrooms	45%	30%	\$404
2 2 Bedrooms	50%	30%	\$404
2 2 Bedrooms	50%	50%	\$663
2 2 Bedrooms	60%	30%	\$404
5 3 bedrooms	30%	30%	\$452
1 3 Bedrooms	45%	30%	\$452
9 3 Bedrooms	45%	30%	\$452
14 3 Bedrooms	50%	30%	\$452
3 3 Bedrooms	50%	50%	\$766
10 3 Bedrooms	60%	30%	\$458
1 4 Bedrooms	30%	29%	\$488
1 4 Bedrooms	45%	29%	\$488
1 4 Bedrooms	50%	29%	\$488
1 4 Bedrooms	60%	29%	\$488
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$659,890
Construction Costs	\$11,277,222
Rehabilitation Costs	\$0
Construction Contingency	\$585,826
Relocation	\$0
Architectural/Engineering	\$330,000
Const. Interest, Perm. Financing	\$402,000
Legal Fees, Appraisals	\$114,000
Reserves	\$130,000
Other Costs	\$432,219
Developer Fee	\$1,950,000
Commercial Costs	\$0
Total	\$15,881,157

Project Financing

Estimated Total Project Cost:	\$15,881,157
Estimated Residential Project Cost:	\$15,881,157
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$161
Per Unit Cost:	\$240,624
True Cash Per Unit Cost*:	\$233,152

Construction Financing

Source	Amount
US Bank	\$9,500,000
High Speed Rail Funds	\$2,500,000
Wasco Housing Authority	\$86,565
City of Wasco - Land Donation	\$152,392
Deferred Costs	\$1,787,817
Tax Credit Equity	\$1,854,383

Permanent Financing

Source	Amount
High Speed Rail Funds	\$2,500,000
Wasco Housing Authority	\$525,504
City of Wasco - Land Donation	\$152,392
Deferred Developer Fee	\$340,704
Tax Credit Equity	\$12,362,557
TOTAL	\$15,881,157

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,017,906
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$14,017,906
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,261,485
Approved Developer Fee in Project Cost:	\$1,950,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	\$0.98000

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:	\$14,017,906
Actual Eligible Basis:	\$14,623,674
Unadjusted Threshold Basis Limit:	\$19,138,378
Total Adjusted Threshold Basis Limit:	\$19,138,378

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Large Family
Final:	27.570%

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 current 65 unit project is Phase I of planned replacement housing for 224 farmworker units. Upon completion of the replacement housing the existing housing will be demolished to make way for the high speed rail project.

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 Wasco, 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
\$1,261,485	\$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 fifteen 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
Cost Efficiency	1	1	1
Public Funds	19	19	19
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 (van or dial-a-ride service for rural set-aside)	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 1 mile of a public middle school within attendance boundary	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 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. 60 hrs/yr instruction	5	5	5
Licensed child care, available 20 hrs/week or more, M-F	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	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
Smoke Free Residence	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.