

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

REVISED

Parc Grove Commons Northeast Veterans, located at southwest corner of Clinton Avenue and Angus Street, Fresno, requested and is being recommended for a reservation of \$1,058,495 in annual federal tax credits and requested \$2,714,090 in total state tax credits, but is being recommended for a reservation of \$2,708,310 in total state tax credits (see "**Special Issues/Other Significant Information**" section) to finance the new construction of 39 units of housing serving special needs tenants with rents affordable to households earning 30-50% AMI of area median income (AMI). The project will be developed by Housing Authority of the City of Fresno and will be located in Senate District 8 and Assembly District 31.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-16-123

Project Name Parc Grove Commons Northeast Veterans
Site Address: Southwest corner of Clinton Avenue and Angus Street
Fresno, CA 93703 County: Fresno
Census Tract: 34.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,058,495	\$2,714,090
Recommended:	\$1,058,495	\$2,708,310

Applicant Information

Applicant: Parc Grove Commons III Limited Partnership, a California limited partnership
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.
Housing Authority of the City of Fresno
General Partner Type: Nonprofit
Parent Company(ies): Silvercrest, Inc.
Housing Authority of the City of Fresno
Developer: Housing Authority of the City of Fresno
Investor/Consultant: PNC Bank
Management Agent(s): GSF Properties Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project Based Vouchers (39 Units - 100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 36.67%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 19 45 %
 40% AMI: 14 35 %
 50% AMI: 6 15 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless and Disabled Veterans
 % of Special Need Units: 39 units 100%
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Alex Ninh

Unit Mix

36 1-Bedroom Units
 4 2-Bedroom Units

 40 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>
18 1 Bedroom	30%	30%	\$331
13 1 Bedroom	40%	40%	\$442
5 1 Bedroom	50%	50%	\$553
1 2 Bedrooms	30%	30%	\$398
1 2 Bedrooms	40%	40%	\$531
1 2 Bedrooms	50%	50%	\$663
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$304,000
Construction Costs	\$6,766,791
Rehabilitation Costs	\$0
Construction Contingency	\$330,840
Relocation	\$0
Architectural/Engineering	\$558,487
Const. Interest, Perm. Financing	\$652,180
Legal Fees, Appraisals	\$176,750
Reserves	\$3,975,748
Other Costs	\$1,232,310
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$15,397,106

Project Financing

Estimated Total Project Cost:	\$15,397,106
Estimated Residential Project Cost:	\$15,397,106
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$256
Per Unit Cost:	\$384,928
True Cash Per Unit Cost*:	\$384,928

Construction Financing

Source	Amount
Wells Fargo Bank	\$8,414,571
Housing Relinquished Fund Corp.	\$800,000
Accrued Deferred Interest	\$61,333
Deferred Costs	\$5,061,466
Tax Credit Equity	\$1,063,448

Permanent Financing

Source	Amount
HCD - VHHP	\$2,600,000
Housing Relinquished Fund Corp.	\$800,000
Accrued Deferred Interest	\$61,333
Tax Credit Equity	\$11,935,773
TOTAL	\$15,397,106

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,046,967
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,761,057
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$1,058,495
Total State Credit:	\$2,708,310
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	PNC Bank, National Association
Federal Tax Credit Factor:	\$0.96330
State Tax Credit Factor:	\$0.64220

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:	\$9,046,967
Actual Eligible Basis:	\$10,758,079
Unadjusted Threshold Basis Limit:	\$7,120,792
Total Adjusted Threshold Basis Limit:	\$9,757,415

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
- 100% of Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	37.566%

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 meet/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 proposed rent does not include a utility allowance. The owner will pay for all utilities.

Staff noted the developer fee in cost was in excess of the \$1,400,000 limit required by HCD for the VHHP program. The cost was reduced accordingly resulting in a reduction to the state credit amount recommended.

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
\$1,058,495	\$2,708,310

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
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 1/8 mile of transit, service every 30 minutes in rush hours	6	6	6
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs/SRO project within 1/2 mile of facility serving tenant pop.	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 600 bdrms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	5	5	5
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
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.