

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

Oakhurst Apartments, located at 48444 Victoria Lanes in Oakhurst, requested and is being recommended for a reservation of \$827,202 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by DFA Development LLC and is located in Senate District 8 and Assembly District 5.

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

Project Number CA-16-163

Project Name Oakhurst Apartments
Site Address: 48444 Victoria Lanes
Oakhurst, CA 93644 County: Madera
Census Tract: 1.080

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$827,202	\$0
Recommended:	\$827,202	\$0

Applicant Information

Applicant: DFA Development LLC
Contact: Daniel Fred
Address: 119 E. Weber Avenue
Stockton, CA 95202
Phone: 415-595-4547 Fax: 209-939-1035
Email: dfred@dfadevelopment.com

General Partner(s) / Principal Owner(s): RCC MGP LLC
DFA Development LLC
General Partner Type: Joint Venture
Parent Company(ies): DFA Development LLC
Riverside Charitable Corporation
Developer: DFA Development LLC
Investor/Consultant: PNC Real Estate
Management Agent(s): DKD Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 8
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 515/ USDA RHS 521 Rental Assistance (49 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 45% AMI: 13 25 %
 50% AMI: 20 40 %

Information

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

Unit Mix

30 1-Bedroom Units
 16 2-Bedroom Units
 4 3-Bedroom Units

 50 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	30%	30%	\$331
6 1 Bedroom	45%	45%	\$497
2 1 Bedroom	45%	45%	\$497
12 1 Bedroom	50%	50%	\$553
8 1 Bedroom	60%	60%	\$663
2 2 Bedrooms	30%	30%	\$398
4 2 Bedrooms	45%	45%	\$597
2 2 Bedrooms	50%	50%	\$663
5 2 Bedrooms	50%	50%	\$663
3 2 Bedrooms	60%	60%	\$796
1 3 Bedrooms	30%	30%	\$459
1 3 Bedrooms	45%	45%	\$689
1 3 Bedrooms	50%	50%	\$766
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,700,000
Construction Costs	\$0
Rehabilitation Costs	\$5,300,750
Construction Contingency	\$530,075
Relocation	\$140,000
Architectural/Engineering	\$125,000
Const. Interest, Perm. Financing	\$393,300
Legal Fees, Appraisals	\$169,000
Reserves	\$457,322
Other Costs	\$256,400
Developer Fee	\$1,341,431
Commercial Costs	\$0
Total	\$11,413,279

Project Financing

Estimated Total Project Cost:	\$11,413,279
Estimated Residential Project Cost:	\$11,413,279
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$143
Per Unit Cost:	\$228,266
True Cash Per Unit Cost*:	\$225,848

Construction Financing

Source	Amount
PNC Bank	\$7,000,000
USDA RHS 515 (Assumed)	\$1,714,018
Net Operating Income	\$1,470,866
Tax Credit Equity	\$1,228,394

Permanent Financing

Source	Amount
Bonneville Mortgage (Tranche A)	\$55,000
Bonneville Mortgage (Tranche B)	\$1,245,000
USDA RHS 515 (Assumed)	\$1,714,018
Deferred Developer Fee	\$120,865
Solar Tax Credit Equity	\$89,100
Tax Credit Equity	\$8,189,296
TOTAL	\$11,413,279

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,070,806
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,192,048
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$827,202
Approved Developer Fee in Project Cost:	\$1,341,431
Approved Developer Fee in Eligible Basis:	\$1,092,431
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	\$0.99000

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:	\$7,070,806
Actual Eligible Basis:	\$10,035,306
Unadjusted Threshold Basis Limit:	\$9,676,308
Total Adjusted Threshold Basis Limit:	\$10,353,650

Adjustments to Basis Limit

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Tie-Breaker Information

First:	At-Risk
Final:	40.084%

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:

Staff noted that the developer fee cost in acquisition basis was in excess of the limit required by TCAC regulation. The acquisition basis was reduced down to meet the limits required by regulation. The reduction does not affect the amount of credits 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 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$827,202	\$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
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
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 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. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 100 hrs per 100 bdms	5	5	5
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.