

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 13, 2017**

Cottage Village Senior Apartments, located at 510 Cottage Avenue in Manteca, requested and is being recommended for a reservation of \$392,152 in annual federal tax credits to finance the new construction of 47 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by DFA Development and RCC and will be located in Senate District 5 and Assembly District 12.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-17-816

**Project Name** Cottage Village Senior Apartments  
**Site Address:** 510 Cottage Avenue  
Manteca, CA 95336 County: San Joaquin  
**Census Tract:** 51.10

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$392,152	\$0
Recommended:	\$392,152	\$0

**Applicant Information**

**Applicant:** DFA Cottage Village Associates LP  
**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) or Principal Owner(s):** RCC MGP LLC  
DFA Cottage Village LLC  
Delta Community Development Corporation

**General Partner Type:** Joint Venture

**Parent Company(ies):** Riverside Charitable Corporation  
DFA Development LLC  
Delta Community Development Corporation

**Developer:** DFA Development and RCC

**Investor/Consultant:** Enterprise Community Investment

**Management Agent:** DKD Property Management Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 13  
 Total # of Units: 48  
 No. & % of Tax Credit Units: 47 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (47 units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 5  
 Number of Units @ or below 50% of area median income: 10  
 Number of Units @ or below 60% of area median income: 32

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: December 29, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Lucy Vang

**Unit Mix**

40 1-Bedroom Units  
 8 2-Bedroom Units  


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 48 Total Units

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
4 1 Bedroom	30%	30%	\$343
8 1 Bedroom	50%	50%	\$573
28 1 Bedroom	60%	60%	\$687
1 2 Bedrooms	30%	30%	\$412
2 2 Bedrooms	50%	50%	\$687
4 2 Bedrooms	60%	60%	\$825
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$22,442,640

**Project Cost Summary at Application**

Land and Acquisition	\$161,988
Construction Costs	\$5,349,450
Rehabilitation Costs	\$0
Construction Contingency	\$270,572
Relocation	\$0
Architectural/Engineering	\$345,000
Const. Interest, Perm. Financing	\$470,250
Legal Fees, Appraisals	\$328,000
Reserves	\$95,000
Other Costs	\$1,608,784
Developer Fee	\$1,204,317
Commercial Costs	\$0
<b>Total</b>	<b>\$9,833,361</b>

**Project Financing**

Estimated Total Project Cost:	\$9,833,361
Estimated Residential Project Cost:	\$9,833,361
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$164
Per Unit Cost:	\$204,862
True Cash Per Unit Cost*:	\$196,759

**Construction Financing**

Source	Amount
Farmers and Merchants Bank	\$5,500,000
HA County of San Joaquin	\$2,430,000
HA County of San Joaquin Land Lease Loan	\$100,000
City of Manteca Deferred Loan	\$592,960
Deferred Costs	\$657,578
Tax Credit Equity	\$552,823

**Permanent Financing**

Source	Amount
Farmers and Merchants Bank	\$2,600,000
HA County of San Joaquin	\$2,430,000
HA County of San Joaquin Land Lease Loan	\$100,000
City of Manteca Deferred Loan	\$592,960
Deferred Developer Fee	\$388,909
Solar Tax Credit Equity	\$36,000
Tax Credit Equity	\$3,685,492
<b>TOTAL</b>	<b>\$9,833,361</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$9,295,081
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,083,605
Maximum Annual Federal Credit:	\$392,152
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,204,317
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$0.93981

Per Regulation Section 10327(c)(6), 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:	\$9,295,081
Actual Eligible Basis:	\$9,295,081
Unadjusted Threshold Basis Limit:	\$11,623,600
Total Adjusted Threshold Basis Limit:	\$19,871,176

**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
- Local Development Impact Fees
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 21%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

**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 3.25% of the qualified basis. 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.

**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>\$392,152</b>	<b>\$0</b>

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 reservation 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.

**Additional Conditions:** None.