

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2018 First Round**  
**June 13, 2018**

Firebaugh Garden Apartments & Mendota Village Apartments, located at 600 P Street in Firebaugh and 1100 2nd Street in Mendota respectively, requested and is being recommended for a reservation of \$628,074 in annual federal tax credits and \$2,092,728 in total state tax credits to finance the acquisition and rehabilitation of 82 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 Community Preservation Partners, LLC and is located in Senate District 16 and Assembly District 31.

Firebaugh Garden Apartments & Mendota Village Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Firebaugh Garden Apartments (CA-94-122) and Mendota Village Apartments (CA-92-003). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

<b>Project Number</b>	CA-18-023	
<b>Project Name</b>	Firebaugh Garden Apartments & Mendota Village Apartments	
	<u>Firebaugh Garden Apartments</u>	<u>Mendota Village Apartments</u>
Site Addresses:	600 P Street	1100 2nd Street
	Firebaugh, CA 93622	Mendota, CA 93644
Census Tracts:	0083.01	0083.02
County:	Fresno	
<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$628,074	\$2,092,728
Recommended:	\$628,074	\$2,092,728

\* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

Applicant: FC Investment Group, LP  
 Contact: Ronald D. Bettencourt  
 Address: 531 Mill Road  
 Auburn, CA 95603  
 Phone: (805) 439-0982  
 Email: whitecapcoastal@sbcglobal.net

General Partner(s) / Principal Owner(s): Bettencourt Properties, Inc.  
 The Beneficial Housing Foundation  
 General Partner Type: Joint Venture  
 Parent Company(ies): Bettencourt Properties, Inc.  
 The Beneficial Housing Foundation  
 Developer: Community Preservation Partners, LLC  
 Investor/Consultant: WNC & Associates, Inc.  
 Management Agent(s): AWI Management Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 20  
 Total # of Units: 84  
 No. & % of Tax Credit Units: 82 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA 515 & 521 Project-based Rental Subsidy (75 units / 92%)

**Information**

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

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 9	10%
At or Below 40% AMI: 9	10%
At or Below 50% AMI (Rural): 41	50%
At or Below 60% AMI: 23	25%

**Unit Mix**

10 1-Bedroom Units
38 2-Bedroom Units
28 3-BedroomUnits
8 4-Bedroom Units
<hr/>
84 Total Units

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	40%	40%	\$450
3 1 Bedroom	50%	50%	\$562
2 1 Bedroom	60%	60%	\$674
1 1 Bedroom	30%	30%	\$337
2 1 Bedroom	50%	50%	\$562
1 1 Bedroom	60%	60%	\$674
2 2 Bedrooms	30%	30%	\$405
2 2 Bedrooms	40%	40%	\$540
9 2 Bedrooms	50%	50%	\$675
5 2 Bedrooms	60%	60%	\$810
2 2 Bedrooms	30%	30%	\$405
3 2 Bedrooms	40%	40%	\$540
10 2 Bedrooms	50%	50%	\$675
5 2 Bedrooms	60%	60%	\$810
3 3 Bedrooms	30%	30%	\$467
3 3 Bedrooms	40%	40%	\$622
13 3 Bedrooms	50%	50%	\$778
8 3 Bedrooms	60%	60%	\$934
2 4 Bedrooms	50%	50%	\$868
1 4 Bedrooms	60%	54%	\$944
1 4 Bedrooms	30%	30%	\$521
2 4 Bedrooms	50%	50%	\$868
1 4 Bedrooms	60%	60%	\$1,042
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$10,372,559

**Project Cost Summary at Application**

Land and Acquisition	\$3,725,126
Construction Costs	\$0
Rehabilitation Costs	\$4,546,584
Construction Contingency	\$449,776
Relocation	\$45,000
Architectural/Engineering	\$317,000
Const. Interest, Perm. Financing	\$453,113
Legal Fees, Appraisals	\$259,000
Reserves	\$633,600
Other Costs	\$444,310
Developer Fee	\$1,373,710
Commercial Costs	\$0
<b>Total</b>	<b>\$12,247,219</b>

**Residential**

Construction Cost Per Square Foot:	\$56
Per Unit Cost:	\$145,800
True Cash Per Unit Cost*:	\$143,601

**Construction Financing**

Source	Amount
Rabobank, N.A.	\$5,550,000
USDA RD - 515 Assumed/Recast	\$3,404,500
USDA RD - Replacement Reserves	\$320,626
Deferred Developer Fee	\$695,049
Tax Credit Equity	\$2,277,044

**Permanent Financing**

Source	Amount
Bonneville Mortgage Company	\$1,450,000
USDA RD - 515 Assumed/Recast	\$3,404,500
USDA RD - Replacement Reserves	\$320,626
Deferred Developer Fee	\$184,769
Tax Credit Equity	\$6,887,324
<b>TOTAL</b>	<b>\$12,247,219</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$6,978,600
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$0
Qualified Basis (Rehabilitation):	\$6,978,600
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$0
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$628,074
Total State Credit:	\$2,092,728
Approved Developer Fee in Project Cost:	\$1,373,710
Approved Developer Fee in Eligible Basis:	\$1,071,260
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.88000
State Tax Credit Factor:	\$0.65000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$6,978,600
Actual Eligible Basis:	\$10,229,325
Unadjusted Threshold Basis Limit:	\$25,591,996
Total Adjusted Threshold Basis Limit:	\$25,591,996

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>50.002%</b>

**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. 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.

### **Significant Information / Additional Conditions**

This project is comprised of 2 existing tax credit projects located approximately 9 miles apart. Firebaugh Garden Apartments in the city of Firebaugh has 40 units (39 tax credit units and 1 manager's unit) with USDA 521 rental subsidy for 34 of the units. Mendota Village Apartments in the city of Mendota has 44 units (43 tax credit units and 1 manager's unit) with USDA 521 rental subsidy for 41 of the units.

### **Resyndication and Resyndication Transfer Event**

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement for CA-1992-003, Mendota Village Apartments, expires 12-31-2047 and the existing regulatory agreement for CA-1994-122, Firebaugh Garden Apartments, expires 12-31-2049. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements of TCAC Regulation Section 10320(b)(4)(B).

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreements (CA-1992-003 & CA-1994-122). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreements. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreements (CA-1992-003 & CA-1994-122) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered"). The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreements and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

### **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.

**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)(5) 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities - Firebaugh Garden Apartments</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit station or public bus stop	3	3	3
Within 1 mile of public park or community center open to general public	3	3	3
Within ½ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1 mile of a public middle school that project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
<b>Site Amenities - Mendota Village Apartments</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit station or public bus stop	4	4	4
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 ¾ mile of a public elementary school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
<b>Service Amenities - Firebaugh Garden Apartments</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	3	3	3
<b>Service Amenities - Mendota Village Apartments</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	3	3	3
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating, 20%)	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**