

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

Clayton Villa Apartments, located at 4450 & 4455 Melody Drive in Concord, requested and is being recommended for a reservation of \$1,705,000 in annual federal tax credits to finance the acquisition and rehabilitation of 79 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by CLV GP LLC and is located in Senate District 7 and Assembly District 14.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-18-025

Project Name Clayton Villa Apartments
Site Address: 4450 & 4455 Melody Drive
 Concord, CA 94521 County: Contra Costa
Census Tract: 3340.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,705,000	\$0
Recommended:	\$1,705,000	\$0

Applicant Information

Applicant: CLV Affordable LP
Contact: Paul Patierno
Address: 701 S. Myrtle Avenue
 Monrovia, CA 91016
Phone: (626) 698-6357
Email: p.patierno@highlandcompanies.com

General Partner(s) / Principal Owner(s): CLV GP LLC
 NHC MGP I LLC

General Partner Type: Joint Venture

Parent Company(ies): Impact Development Group/Toffer Mann
 Investments Joint Venture
 National Housing Corporation

Developer: CLV GP LLC

Investor/Consultant: Boston Financial Investment Mgmt.

Management Agent(s): AWI Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Project Based Contract (79 units - 100%)

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: East Bay Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 8	10%
At or Below 40% AMI: 16	20%
At or Below 50% AMI: 24	30%
At or Below 60% AMI: 31	35%

Unit Mix

80 1-Bedroom Units
 80 Total Units

<u>Unit Type & 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>
8 1 Bedroom	30%	30%	\$587
16 1 Bedroom	40%	40%	\$783
24 1 Bedroom	50%	50%	\$978
31 1 Bedroom	60%	60%	\$1,174
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$47,613,060

Project Cost Summary at Application

Land and Acquisition	\$28,500,000
Construction Costs	\$0
Rehabilitation Costs	\$5,548,800
Construction Contingency	\$477,729
Relocation	\$10,000
Architectural/Engineering	\$141,000
Const. Interest, Perm. Financing	\$1,640,467
Legal Fees, Appraisals	\$144,000
Reserves	\$630,100
Other Costs	\$175,800
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$39,267,896

Residential

Construction Cost Per Square Foot:	\$86
Per Unit Cost:	\$490,849
True Cash Per Unit Cost*:	\$478,765

Construction Financing

Source	Amount
Red Mortgage Capital LLC	\$20,550,000
Income from Operations	\$873,375
Tax Credit Equity	\$14,806,221

Permanent Financing

Source	Amount
Red Mortgage Capital LLC	\$20,550,000
Income from Operations	\$873,375
Deferred Developer Fee	\$966,709
Tax Credit Equity	\$16,877,812
TOTAL	\$39,267,896

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,606,710
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$21,477,386
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,188,723
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$21,477,386
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$1,006,985
Maximum Annual Federal Credit, Acquisition:	\$698,015
Total Maximum Annual Federal Credit:	\$1,705,000
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Financial Investment Mgmt.
Federal Tax Credit Factor:	\$0.98990

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:	\$30,084,096
Actual Eligible Basis:	\$34,084,096
Unadjusted Threshold Basis Limit:	\$25,148,560
Total Adjusted Threshold Basis Limit:	\$32,693,128

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
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	At-Risk
Final:	23.199%

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, 3.25%. 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: None.

Resyndication and Resyndication Transfer Event: None.

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 Concord, has completed a site review of this project and strongly supports this project.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 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 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

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.