CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2018 Second Round
September 19, 2018

Portola Senior Apartments, located at 700 Third Avenue in Portola, requested and is being recommended for a reservation of $625,735 in annual federal tax credits and $2,085,783 in total state tax credits to finance the acquisition and rehabilitation of 49 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Micon Real Estate and is located in Senate District 1 and Assembly District 1.

Portola Senior Apartments, is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Portola Senior Citizen Community, (CA-98-007). 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.

Project Number	CA-18-078
Project Name	Portola Senior Apartments
Site Address:	700 Third Avenue Portola, CA 96122 County: Plumas
Census Tract:	3.000

Tax Credit Amounts	**Federal/Annual**	**State/Total** *
Requested:	$625,735	$2,085,783
Recommended:	$625,735	$2,085,783

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

Applicant Information

Applicant:	Micon Real Estate
Contact:	Michael L. Condry
Address:	1370 Jensen, Suite B Sanger, CA 95637
Phone:	(559) 875-3330
Email:	mcondry@miconrealestate.com

General Partner(s) / Principal Owner(s):	Central Valley Coalition for Affordable Housing Micon Real Estate
General Partner Type:	Joint Venture
Parent Company(ies):	Central Valley Coalition for Affordable Housing
Developer:	Micon Real Estate
Investor/Consultant:	Boston Financial
Management Agent(s):	AWI Management Corporation

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 (47units - 95%)

Information

Set-Aside:	Rural
Housing Type:	Seniors
Geographic Area:	N/A
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	5	10%
At or Below 45% AMI:	5	10%
At or Below 50% AMI (Rural):	25	50%
At or Below 55% AMI (Rural):	5	10%
At or Below 60% AMI:	9	15%

Unit Mix

44	1-Bedroom Units
6	2-Bedroom Units
50	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	30%	30%	$356
4	1 Bedroom	45%	45%	$534
22	1 Bedroom	50%	50%	$594
5	1 Bedroom	55%	55%	$653
9	1 Bedroom	60%	60%	$713
1	2 Bedrooms	30%	30%	$427
1	2 Bedrooms	45%	45%	$641
3	2 Bedrooms	50%	50%	$712
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $9,098,760

Project Cost Summary at Application

Land and Acquisition	$1,237,313
Construction Costs	$0
Rehabilitation Costs	$4,607,588
Construction Contingency	$460,759
Relocation	$300,000
Architectural/Engineering	$105,000
Const. Interest, Perm. Financing	$514,500
Legal Fees, Appraisals	$227,000
Reserves	$695,965
Other Costs	$330,719
Developer Fee	$906,862
Commercial Costs	$0
Total	**$9,385,706**

Residential

Construction Cost Per Square Foot:	$136
Per Unit Cost:	$187,714
True Cash Per Unit Cost*:	$187,714

Construction Financing

Source	Amount
Rabobank	$4,579,705
USDA Section 515 - Assumed	$1,237,313
Existing Reserves	$381,000
Deferred Operating Reserve	$90,329
Deferred Developer Fee	$906,862
Tax Credit Equity	$2,190,497

Permanent Financing

Source	Amount
Bonneville Mortgage	$842,593
USDA Section 515 - Assumed	$1,237,313
Existing Reserves	$381,000
Tax Credit Equity	$6,924,800
TOTAL	**$9,385,706**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,952,609
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$0
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,952,609
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	$0
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$625,735
Total State Credit:	$2,085,783
Approved Developer Fee (in Project Cost & Eligible Basis):	$906,862
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	$0.89000
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:	$6,952,609
Actual Eligible Basis:	$8,088,710
Unadjusted Threshold Basis Limit:	$11,621,416
Total Adjusted Threshold Basis Limit:	$11,621,416

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	**Seniors**
Final:	**36.540%**

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1998-007). 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 newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. 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 agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-98-007) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

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.

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 ⅓ mile of transit (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 ½ mile of a neighborhood market of at least 5,000 sf	4	4	0
Senior project within 1 mile of daily operated senior center/facility	3	3	3
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 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	**5**	**5**	**5**
REHABILITATION			
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.