

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Parlier Orchard Apartments, located at 295 S. Newmark Avenue in Parlier, requested and is being recommended for a reservation of \$670,535 in annual federal tax credits and \$2,235,117 in total state tax credits to finance the rehabilitation of 40 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 Housing Authority of Fresno County and is located in Senate District 14 and Assembly District 31.

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

Project Number CA-18-109

Project Name Parlier Orchard Apartments
Site Address: 295 S. Newmark Avenue
Parlier, CA 93648 County: Fresno
Census Tract: 85.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$670,535	\$2,235,117
Recommended:	\$670,535	\$2,235,117

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Silvercrest, Inc.
Contact: Preston Prince
Address: 1331 Fulton Street
Fresno, CA 93721
Phone: 559-443-8475
Email: pprince@fresnohousing.org

General Partner(s) / Principal Owner(s): Housing Authority of Fresno County
Silvercrest, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Housing Authority of Fresno County
Silvercrest, Inc.
Developer: Housing Authority of Fresno County
Investor/Consultant: California Housing Partnership
Management Agent(s): Housing Authority of Fresno County

Project Information

Construction Type: New Construction and Rehabilitation
 Total # Residential Buildings: 12
 Total # of Units: 41
 No. & % of Tax Credit Units: 40 100%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: USDA RHS 514 / USDA RHS 521 Rental Assistance (38 units - 95%)

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 4	10%
At or Below 40% AMI: 12	30%
At or Below 50% AMI (Rural): 10	25%
At or Below 60% AMI: 11	28%
At or Below 70% AMI: 1	3%
At or Below 80% AMI: 2	5%

Unit Mix

19 2-Bedroom Units
 17 3-BedroomUnits
5 4-Bedroom Units
 41 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 2 Bedrooms	30%	30%	\$403
1 3 Bedrooms	30%	30%	\$466
2 4 Bedrooms	30%	30%	\$520
4 2 Bedrooms	40%	40%	\$538
6 3 Bedrooms	40%	40%	\$621
2 4 Bedrooms	40%	40%	\$693
7 2 Bedrooms	50%	50%	\$672
3 3 Bedrooms	50%	50%	\$776
1 2 Bedrooms	60%	60%	\$807
1 3 Bedrooms	60%	60%	\$931
1 4 Bedrooms	60%	60%	\$1,039
5 2 Bedrooms	60%	60%	\$807
3 3 Bedrooms	60%	60%	\$931
1 3 Bedrooms	70%	60%	\$931
1 2 Bedrooms	80%	60%	\$807
1 3 Bedrooms	80%	60%	\$931
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$8,030,880

Project Cost Summary at Application

Land and Acquisition	\$3,215,000
Construction Costs	\$660,900
Rehabilitation Costs	\$3,225,100
Construction Contingency	\$367,270
Relocation	\$800,000
Architectural/Engineering	\$533,000
Const. Interest, Perm. Financing	\$850,311
Legal Fees, Appraisals	\$260,500
Reserves	\$87,960
Other Costs	\$426,499
Developer Fee	\$971,790
Commercial Costs	\$0
Total	\$11,398,330

Residential

Construction Cost Per Square Foot:	\$89
Per Unit Cost:	\$278,008
True Cash Per Unit Cost*:	\$228,225

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$8,134,865	US Bank	\$1,134,000
USDA 514 Loan (Assumed)	\$16,990	USDA 514 Loan (Assumed)	\$16,990
Land Donation	\$1,683,010	Land Donation	\$1,683,010
Deferred Costs	\$501,674	Deferred Developer Fee	\$358,076
Deferred Developer Fee	\$358,076	General Partner Equity	\$100
General Partner Equity	\$100	Tax Credit Equity	\$8,206,154
Tax Credit Equity	\$703,615	TOTAL	\$11,398,330

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation/New Constructi	\$7,450,391
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation/New Construction):	\$7,450,391
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$670,535
Total State Credit:	\$2,235,117
Approved Developer Fee (in Project Cost & Eligible Basis):	\$971,790
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.94493
State Tax Credit Factor:	\$0.83666

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:	\$7,450,391
Actual Eligible Basis:	\$7,450,391
Unadjusted Threshold Basis Limit:	\$13,102,706
Total Adjusted Threshold Basis Limit:	\$15,735,536

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

Tie-Breaker Information

First: **Large Family**
Final: **36.063%**

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 involves the rehabilitation of 40 units in a 12-building development and the new construction of one building that will include community space, laundry facilities and one manager unit.

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 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 ½ 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 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 3/4 of a public elementary school	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			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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.