

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

Armona Village Apartments, located at 13875 Lyn Street in Armona, requested and is being recommended for a reservation of \$409,164 in annual federal tax credits and \$1,363,863 in total state tax credits to finance the acquisition and rehabilitation of 32 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by DFA Development LLC and is located in Senate District 14 and Assembly District 32.

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 USDA RHS 521 Rental Assistance.

**Project Number** CA-18-111

**Project Name** Armona Village Apartments  
**Site Address:** 13875 Lyn Street  
Armona, CA 93202 County: Kings  
**Census Tract:** 5.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$409,164	\$1,363,863
Recommended:	\$409,164	\$1,363,863

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

**Applicant Information**

**Applicant:** DFA Development LLC  
**Contact:** Daniel Fred  
**Address:** 119 E Weber Avenue  
Stockton, CA 95202  
**Phone:** 415-595-4547  
**Email:** dfred@dfadevelopment.com

**General Partner(s) / Principal Owner(s):** RCC MGP LLC  
DFA Armona Associates LLC  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Riverside Charitable Corporation  
DFA Development LLC  
**Developer:** DFA Development LLC  
**Investor/Consultant:** CREA  
**Management Agent(s):** DKD Property Management Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 6  
 Total # of Units: 33  
 No. & % of Tax Credit Units: 32 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA RHS 515 / USDA RHS 521 Rental Assistance

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	4	10%
At or Below 45% AMI:	8	25%
At or Below 50% AMI:	13	40%
At or Below 60% AMI:	7	20%

**Unit Mix**

12 1-Bedroom Units  
 19 2-Bedroom Units  
 2 3-BedroomUnits  


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 33 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 1 Bedroom	30%	30%	\$336
3 1 Bedroom	45%	45%	\$504
5 1 Bedroom	50%	50%	\$560
2 1 Bedroom	60%	60%	\$672
1 1 Bedroom	60%	60%	\$672
2 2 Bedrooms	30%	30%	\$403
5 2 Bedrooms	45%	45%	\$605
8 2 Bedrooms	50%	50%	\$672
2 2 Bedrooms	60%	60%	\$807
2 2 Bedrooms	60%	60%	\$807
1 3 Bedrooms	30%	30%	\$465
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$4,352,040

**Project Cost Summary at Application**

Land and Acquisition	\$1,750,000
Construction Costs	\$0
Rehabilitation Costs	\$3,088,765
Construction Contingency	\$308,876
Relocation	\$125,000
Architectural/Engineering	\$115,000
Const. Interest, Perm. Financing	\$400,924
Legal Fees, Appraisals	\$140,000
Reserves	\$404,187
Other Costs	\$266,763
Developer Fee	\$863,970
Commercial Costs	\$0
<b>Total</b>	<b>\$7,463,485</b>

**Residential**

Construction Cost Per Square Foot:	\$120
Per Unit Cost:	\$226,166
True Cash Per Unit Cost*:	\$220,069

**Construction Financing**

Source	Amount
Banner Bank	\$4,700,000
USDA RHS 515	\$1,028,450
Deferred Costs	\$1,008,844
Tax Credit Equity	\$726,191

**Permanent Financing**

Source	Amount
Bonneville Mortgage	\$1,100,000
USDA RHS 515	\$1,028,450
Deferred Developer Fee	\$421,280
Solar Tax Credit Equity	\$72,479
Tax Credit Equity	\$4,841,276
<b>TOTAL</b>	<b>\$7,463,485</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$4,546,261
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$0
Applicable Fraction:	100.00%
Qualified Basis:	\$4,546,261
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$0
Total Maximum Annual Federal Credit:	\$409,164
Total State Credit:	\$1,363,863
Approved Developer Fee in Project Cost:	\$863,970
Approved Developer Fee in Eligible Basis:	\$708,009
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.91991
State Tax Credit Factor:	\$0.78992

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:	\$4,546,261
Actual Eligible Basis:	\$6,467,806
Unadjusted Threshold Basis Limit:	\$8,620,584
Total Adjusted Threshold Basis Limit:	\$8,620,584

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Final:	<b>31.852%</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, 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 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</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Within ¼ mile of a public elementary school resident children may attend	3	3	0
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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
<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): 15%	3	3	3
Additional rehab measures: PV generation	2	2	2
<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.**