

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Gateway Villas, located at S. Siskiyou & Gateway Boulevard in Kerman, requested \$961,260 in annual federal tax credits and \$2,790,191 in total state tax credits but is being recommended \$961,260 in annual federal tax credits and \$2,790,184 in total state tax credits (see Special Issues/Other Significant Information section) for a reservation of to finance the new construction of 60 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 Willow Partners LLC and will be located in Senate District 12 and Assembly District 31.

Project Number CA-19-034

Project Name Gateway Villas
Site Address: S. Siskiyou & Gateway Blvd.
Kerman, CA 93630 County: Fresno
Census Tract: 40.010

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$961,260	\$2,790,191
Recommended:	\$961,260	\$2,790,184

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

Applicant Information

Applicant: WP Gateway Villas Apartments LP
Contact: Amelia Ross
Address: 310 N. Westlake Blvd., Ste. 210
Westlake Village, CA 91362
Phone: 805-379-8555
Email: aross@willowpartners.com

General Partner(s) / Principal Owner(s): Central Valley Coalition for Affordable Housing
WP Gateway Villas LP
General Partner Type: Joint Venture
Parent Company(ies): Willow Partners LLC
Developer: Willow Partners LLC
Investor/Consultant: City Real Estate Advisors
Management Agent(s): Buckingham Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 5
Total # of Units: 61
No. & % of Tax Credit Units: 60 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME

Information

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

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	6	10%
At or Below 40% AMI:	6	10%
At or Below 50% AMI (Rural):	30	50%
At or Below 60% AMI:	18	30%

Unit Mix

30 2-Bedroom Units
 31 3-Bedroom Units

 61 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 2 Bedrooms	30%	30%	\$403
3 2 Bedrooms	40%	40%	\$538
15 2 Bedrooms	50%	50%	\$672
9 2 Bedrooms	60%	60%	\$806
3 3 Bedrooms	30%	30%	\$464
3 3 Bedrooms	40%	40%	\$620
15 3 Bedrooms	50%	50%	\$775
9 3 Bedrooms	60%	60%	\$930
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,350,000
Construction Costs	\$6,901,400
Rehabilitation Costs	\$0
Construction Contingency	\$400,000
Relocation	\$0
Architectural/Engineering	\$625,000
Const. Interest, Perm. Financing	\$1,008,750
Legal Fees	\$150,000
Reserves	\$432,963
Other Costs	\$1,823,147
Developer Fee	\$2,135,427
Commercial Costs	\$0
Total	\$14,826,687

Residential

Construction Cost Per Square Foot:	\$100
Per Unit Cost:	\$243,060
True Cash Per Unit Cost*:	\$211,538

Construction Financing

Source	Amount
Rabobank	\$10,000,000
City of Kerman - Land Donation	\$1,310,000
City of Kerman - Fee Waiver	\$612,848
County of Fresno - HOME	\$980,000
Deferred Developer Fee	\$423,844
Tax Credit Equity	\$1,500,000

Permanent Financing

Source	Amount
Bonneville Multifamily Capital	\$1,800,000
City of Kerman - Land Donation	\$1,310,000
City of Kerman - Fee Waiver	\$612,848
County of Fresno - HOME	\$980,000
Tax Credit Equity	\$10,123,839
TOTAL	\$14,826,687

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,680,667
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$10,680,667
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$961,260
Total State Credit:	\$2,790,184
Approved Developer Fee in Project Cost:	\$2,135,427
Approved Developer Fee in Eligible Basis:	\$1,393,130
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.85000
State Tax Credit Factor:	\$0.70000

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:	\$10,680,667
Actual Eligible Basis:	\$10,680,667
Unadjusted Threshold Basis Limit:	\$20,123,584
Total Adjusted Threshold Basis Limit:	\$22,862,309

Adjustments to Basis Limit

- Local Development Impact Fees
- Highest or High Resource Opportunity Area

Tie-Breaker Information

First: **Large Family**
Final: **39.903%**

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 meet or 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, 3.30%. 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

The applicant’s developer fee exceeded the TCAC maximum allowable limit according to TCAC regulation 10327(c). Staff reduced the developer fee cost accordingly, resulting in a reduction to the state tax credits recommended.

When the project places in service the play/recreational area for children ages 2-12 must include accessible entrance points, must be equipped with reasonable play equipment for the size of the project, and the surface must be natural or synthetic protective material per regulation 10325(g)(1)(D).

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, The City of Kerman, 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 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
Kerman High School	2	2	2
Within 1.5 miles of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
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			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	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
Smoke Free Residence	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.