

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Econo Inn, located at 1828 Broadway in Fresno, requested and is being recommended for a reservation of \$852,614 in annual federal tax credits and \$2,186,191 in total state tax credits to finance the rehabilitation of 25 units of housing serving special needs tenants with rents affordable to households earning 20%-60% of area median income (AMI). The project will be developed by Silvercrest, Inc. and is located in Senate District 14 and Assembly District 31.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD and SNHP through CalHFA.

Project Number CA-19-098

Project Name Econo Inn

Site Address: 1828 Broadway
Fresno, CA 93721

County: Fresno

Census Tract: 25.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$852,614	\$2,186,191
Recommended:	\$852,614	\$2,186,191

* The applicant made an irrevocable election not to sell (Certificate) 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):	Silvercrest, Inc. Housing Authority of the City of Fresno
General Partner Type:	Nonprofit
Parent Company(ies):	Housing Authority of the City of Fresno
Developer:	Silvercrest, Inc.
Investor/Consultant:	CREA
Management Agent(s):	Fresno Housing Authority

Project Information

Construction Type: Rehabilitation-Only
 Total # Residential Buildings: 1
 Total # of Units: 26
 No. & % of Tax Credit Units: 25 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (25 Units - 100%)

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 37.20%
 % of Special Need Units: 25 units 100%
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 20% AMI: 7	25%
At or Below 30% AMI: 5	20%
At or Below 40% AMI: 7	25%
At or Below 60% AMI: 6	20%

Unit Mix

25 SRO/Studio Units
1 1-Bedroom Units
26 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7 SRO/Studio	20%	20%	\$227
5 SRO/Studio	30%	30%	\$340
7 SRO/Studio	40%	40%	\$454
6 SRO/Studio	60%	46%	\$525
1 1 Bedroom	Manager's Unit	Manager's Unit	0

Project Cost Summary at Application

Land and Acquisition	\$1,747,127
Construction Costs	\$0
Rehabilitation Costs	\$5,285,400
Construction Contingency	\$753,540
Relocation	\$0
Architectural/Engineering	\$550,000
Const. Interest, Perm. Financing	\$723,151
Legal Fees	\$140,000
Reserves	\$242,794
Other Costs	\$2,292,777
Developer Fee	\$1,139,903
Commercial Costs	\$0
Total	\$12,874,692

Residential

Construction Cost Per Square Foot:	\$526
Per Unit Cost:	\$495,180
True Cash Per Unit Cost*:	\$495,180

Construction Financing

Source	Amount
US Bank	\$6,752,678
Special Needs Housing Program	\$2,368,706
Costs Deferred Until Conversion	\$2,971,404
Tax Credit Equity	\$781,904

Permanent Financing

Source	Amount
HCD - No Place Like Home	\$1,651,942
Special Needs Housing Program	\$2,368,706
Tax Credit Equity	\$8,854,044
TOTAL	\$12,874,692

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,287,303
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,473,494
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$852,614
Total State Credit:	\$2,186,191
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,139,903
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.85876
State Tax Credit Factor:	\$0.70082

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:	\$7,287,303
Actual Eligible Basis:	\$8,739,258
Unadjusted Threshold Basis Limit:	\$5,430,590
Total Adjusted Threshold Basis Limit:	\$7,287,303

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
100% of the Low Income Units for Special Needs Population
Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	58.437%

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 proposed rent does not include a utility allowance. The owner will pay for all utilities.

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 ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	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.**