

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Valley Oaks Apartments, located at 40410 Redbud Drive in Oakhurst, requested and is being recommended for a reservation \$422,181 in annual federal tax credits to finance the acquisition and rehabilitation of 23 units of housing serving tenants with rents affordable to households earning 30 -70% of area median income (AMI). The project will be developed by Self-Help Enterprises and is located in Senate District 8 and Assembly District 5.

Valley Oaks Apartments 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-19-103
Project Name	Valley Oaks Apartments
Site Address:	40410 Redbud Drive
	Oakhurst, CA 93644
	County: Madera
Census Tract:	1.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$422,181	\$0
Recommended:	\$422,181	\$0

Applicant Information

Applicant:	Self-Help Enterprises
Contact:	Betsy McGovern-Garcia
Address:	8445 W. Elowin Court
	Visalia, CA 93290
Phone:	559-802-1653
Email:	BetsyG@selfhelpenterprises.org

General Partner(s) / Principal Owner(s):	Self-Help Enterprises
General Partner Type:	Nonprofit
Parent Company(ies):	Self-Help Enterprises
Developer:	Self-Help Enterprises
Investor/Consultant:	Community Economics, Inc.
Management Agent(s):	AWI Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 4
 Total # of Units: 24
 No. & % of Tax Credit Units: 23 100%
 Federal Set-Aside Elected: 40% / 60% Average Income
 Federal Subsidy: USDA 521 Rental Subsidy (18 units - 75%) / USDA 515

Information

Set-Aside: Rural
 Housing Type: At-Risk
 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:	5	20%
At or Below 50% AMI:	10	40%
At or Below 60% AMI:	7	30%
At or Below 70% AMI:	1	10%

Average Income Project (70% AMI Units): 50% AMI targeted average or less

Unit Mix

6 1-Bedroom Units
18 2-Bedroom Units
24 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	30%	30%	\$365
2 1 Bedroom	50%	50%	\$608
2 1 Bedroom	60%	60%	\$729
3 2 Bedrooms	30%	30%	\$438
8 2 Bedrooms	50%	50%	\$730
1 2 Bedrooms	60%	58%	\$852
4 2 Bedrooms	60%	58%	\$852
1 2 Bedrooms	70%	58%	\$852
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,223,310
Construction Costs	\$0
Rehabilitation Costs	\$2,164,800
Construction Contingency	\$334,000
Relocation	\$50,000
Architectural/Engineering	\$150,000
Const. Interest, Perm. Financing	\$333,453
Legal Fees	\$75,000
Reserves	\$220,189
Other Costs	\$144,817
Developer Fee	\$619,483
Commercial Costs	\$0
Total	\$5,315,051

Residential

Construction Cost Per Square Foot:	\$113
Per Unit Cost:	\$221,460
True Cash Per Unit Cost*:	\$221,460

Construction Financing

Source	Amount
Wells Fargo Bank	\$2,822,486
USDA 515 RD Loan - New	\$1,080,000
USDA 515 RD Loan - Existing	\$119,267
Existing Reserves	\$80,759
GP Equity	\$240
Tax Credit Equity	\$392,629

Permanent Financing

Source	Amount
CCRC	\$216,000
USDA 515 RD Loan - New	\$1,080,000
USDA 515 RD Loan - Existing	\$119,267
Existing Reserves	\$80,759
GP Equity	\$239
Tax Credit Equity	\$3,818,786
TOTAL	\$5,315,051

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,564,395
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$155,972
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,633,713
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$155,972
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$417,034
Maximum Annual Federal Credit, Acquisition:	\$5,147
Total Maximum Annual Federal Credit:	\$422,181
Approved Developer Fee in Project Cost:	\$619,483
Approved Developer Fee in Eligible Basis:	\$516,442
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.90454

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:	\$3,720,366
Actual Eligible Basis:	\$4,646,325
Unadjusted Threshold Basis Limit:	\$6,634,890
Total Adjusted Threshold Basis Limit:	\$6,634,890

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	At-Risk
Final:	41.695%

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

Projects with funding and/or subsidy(ies) from USDA are required to use Utility Allowances(UAs) approved by USDA.

The amount in the developer fee in basis of \$619,483 exceeded the maximum amount of \$516,442 that may be included in eligible basis for acquisition/rehabilitation projects outlined in TCAC regulation section 10327(c)(2)(A)(i). TCAC adjusted accordingly resulting in a reduction to the developer fee in basis to \$516,442.

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 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 full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ 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. 84 hrs/yr instruction	7	7	7
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
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.