

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Lone Oak Senior Apartments, located at 10584 Broken Oak Court in Penn Valley, requested and is being recommended for a reservation of \$749,920 in annual federal tax credits to finance the new construction of 30 units of housing serving seniors with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 1 and Assembly District 1.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. Project financing includes federal funding from the HOME Investment Partnership program.

Project Number	CA-2019-125
Project Name	Lone Oak Senior Apartments
Site Address:	10584 Broken Oak Court
	Penn Valley, CA 95946 County: Nevada
Census Tract:	4.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$749,920	\$0
Recommended:	\$749,920	\$0

Applicant Information

Applicant:	Penn Valley Pacific Associates, a California Limited Partnership
Contact:	Caleb Roope
Address:	430 E. State Street, Suite 100
	Eagle, ID 83616
Phone:	(208) 461-0022
Email:	calebr@tpchousing.com

General Partners / Principal Owners:	TPC Holdings VII, LLC
	Building Better Partnerships, Inc.
General Partner Type:	Joint Venture
Parent Companies:	The Pacific Companies
	Building Better Partnerships, Inc.
Developer:	Pacific West Communities, Inc.
Investor/Consultant:	Boston Capital Finance LLC
Management Agent(s):	Cambridge Real Estate Services

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	31
No. & % of Tax Credit Units:	30 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	HOME / HUD Section 8 Project-based Vouchers (30 units, 100%)

Information

Set-Aside:	Rural
Housing Type:	Seniors
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	3 10%
At or Below 40% AMI:	3 10%
At or Below 50% AMI:	15 50%
At or Below 60% AMI:	9 30%

Unit Mix

24 1-Bedroom Units
7 2-Bedroom Units
31 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (incl utilities)
2 1 Bedroom	30%	30%	\$448
2 1 Bedroom	40%	40%	\$598
12 1 Bedroom	50%	50%	\$747
8 1 Bedroom	60%	60%	\$897
1 2 Bedrooms	30%	30%	\$538
1 2 Bedrooms	40%	40%	\$718
3 2 Bedrooms	50%	50%	\$897
1 2 Bedrooms	60%	59%	\$1,057
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$455,960
Construction Costs	\$6,708,049
Construction Contingency	\$540,000
Architectural/Engineering	\$345,000
Const. Interest, Perm. Financing	\$433,500
Legal Fees	\$50,000
Reserves	\$179,090
Other Costs	\$639,016
Developer Fee	\$1,284,727
Total	\$10,635,342

Residential

Construction Cost Per Square Foot:	\$305
Per Unit Cost:	\$343,076
True Cash Per Unit Cost*:	\$343,076

Construction Financing

Source	Amount
Boston Capital	\$7,487,042
Regional HA - HOME	\$304,768
Deferred Costs	\$179,090
Deferred Developer Fee	\$1,284,727
Tax Credit Equity	\$1,379,715

Permanent Financing

Source	Amount
Boston Capital	\$2,350,000
Regional HA - HOME	\$304,768
Regional HA - Capital Funds	\$1,082,000
Tax Credit Equity	\$6,898,574
TOTAL	\$10,635,342

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,409,575
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,332,448
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$749,920
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,284,727
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.91991

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:	\$6,409,575
Actual Eligible Basis:	\$9,849,575
Unadjusted Threshold Basis Limit:	\$7,767,560
Total Adjusted Threshold Basis Limit:	\$10,454,627

Adjustments to Basis Limit

- Required to pay State or Federal prevailing wages or financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages.
- Local Development Impact Fees.
- 95% of upper floor units are elevator-serviced.

Tie-Breaker Information

First:	Seniors
Final:	38.710%

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: 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, County of Nevada, has completed a site review of this project and expressed its strong support.

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	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
Residents provided free or discounted transit passes, 1 pass per unit	3	3	3
Within 1 mile of public park or community center open to general public	3	3	3
Within ½ mile of a weekly farmers' market operating at least 5 months/year	2	2	2
In-unit high speed internet service (Rural set-aside only)	3	3	3
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			
Develop project in accordance w/ requirements: GreenPoint Rated	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.