CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Pleasant Village Apartments, located at 3665 North Pleasant Avenue in Fresno, requested and is being recommended for a reservation of $458,404 in annual federal tax credits to finance the acquisition and rehabilitation of 99 units of housing serving tenants with rents affordable to households earning 45-60% of area median income (AMI). The project will be developed by 21 Alpha Group and is located in Senate District 23 and Assembly District 8.

Pleasant Village Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Pleasant Valley Apartments (CA-2001-137). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-19-517

Project Name	Pleasant Village Apartments	
Site Address:	3665 North Pleasant Avenue	
	Fresno, CA 93705	County: Fresno
Census Tract:	47.04	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$458,404	$0
Recommended:	$458,404	$0

Applicant Information

Applicant:	Pleasant Village Preservation, L.P.
Contact:	Franklin Hess
Address:	145 West Magnolia Blvd. Burbank, CA 91502
Phone:	818-962-0668
Email:	fhess@21alphagroup.com

General Partner(s) or Principal Owner(s):	Pleasant Village GP, LLC Affordable Housing Solutions
General Partner Type:	For Profit
Parent Company(ies):	21 Alpha Group Affordable Housing Solutions
Developer:	21 Alpha Group
Investor/Consultant:	R4 Capital
Management Agent:	Alpha Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	14
Total # of Units:	100
No. / % of Low Income Units:	99 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (90 units - 91%)

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	January 15, 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	Central Valley Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
45% AMI:	45	45%
50% AMI:	51	52%
60% AMI:	3	3%

Unit Mix

24	1-Bedroom Units
56	2-Bedroom Units
16	3-Bedroom Units
4	4-Bedroom Units
100	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
11	1 Bedroom	45%	45%	$547
3	1 Bedroom	50%	50%	$608
24	2 Bedrooms	45%	45%	$657
30	2 Bedrooms	50%	50%	$730
2	2 Bedrooms	60%	60%	$876
8	3 Bedrooms	45%	45%	$758
8	3 Bedrooms	50%	50%	$842
2	4 Bedrooms	45%	45%	$846
1	4 Bedrooms	50%	50%	$940
8	1 Bedroom	50%	46%	$561
1	1 Bedroom	50%	46%	$557
1	1 Bedroom	60%	55%	$670
1	4 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application

Land and Acquisition	$9,300,000
Construction Costs	$0
Rehabilitation Costs	$4,484,800
Construction Hard Cost Contingency	$375,000
Soft Cost Contingency	$75,000
Relocation	$57,200
Architectural/Engineering	$153,000
Const. Interest, Perm. Financing	$872,220
Legal Fees	$205,000
Reserves	$262,714
Other Costs	$155,147
Developer Fee	$1,587,733
Commercial Costs	$0
Total	**$17,527,814**

Residential

Construction Cost Per Square Foot:	$53
Per Unit Cost:	$175,278
True Cash Per Unit Cost*:	$133,464

Construction Financing

Source	Amount
JLL Capital Markets - T.E. Bonds	$8,180,000
California Bank & Trust - T.E. Bonds	$2,000,000
Seller Carryback Loan	$3,350,000
Operating Income	$664,009
Tax Credit Equity	$2,611,274

Permanent Financing

Source	Amount
JLL Capital Markets - T.E. Bonds	$8,180,000
Seller Carryback Loan	$3,350,000
Operating Income	$664,009
Short Term Work Reserve	$55,900
Deferred Developer Fee	$831,390
Tax Credit Equity	$4,446,515
TOTAL	**$17,527,814**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,732,621
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,440,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,452,407
Qualified Basis (Acquisition):	$6,440,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$245,929
Maximum Annual Federal Credit, Acquisition:	$212,475
Total Maximum Annual Federal Credit:	$458,404
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,587,733
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.97000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	$12,172,621
Actual Eligible Basis:	$12,172,621
Unadjusted Threshold Basis Limit:	$33,727,240
Total Adjusted Threshold Basis Limit:	$66,105,390

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 96%

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 3.30% of the qualified basis. 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 estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 90 days of the date of reservation.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-137). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-137) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $531,480. The Short Term Work amount $531,480 has is excluded from eligible basis.

The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a replacement reserve in the amount of $520,328 which will continue to stay with the project. The Short Term Work required by the Capital Needs Agreement has not been completed. Tax credits shall not pay for work funded already by the seller from the Initial Transfer Event. The applicant must include the Short Term Work reserve funds required by the Capital Needs Agreement as a financing source in the re-syndication.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

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 reservation 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.

CDLAC Additional Conditions
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.