

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 15, 2020**

Doragon @ Chinatown, located at 1101 F Street in Fresno, requested and is being recommended for a reservation of \$1,384,579 in annual federal tax credits and \$3,839,074 in total state tax credits to finance the new construction of 56 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Housing Authority of the City of Fresno and will be 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 IIG program of HCD and CalHFA.

Project Number CA-20-430

Project Name Doragon @ Chinatown
Site Address: 1101 F Street
Fresno, CA 93706 County: Fresno
Census Tract: 3.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,384,579	\$3,839,074
Recommended:	\$1,384,579	\$3,839,074

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

Applicant Information

Applicant: Doragon @ Chinatown, LP
Contact: Preston Prince
Address: 1331 Fulton Street
Fresno, CA 93721
Phone: 559-443-8475
Email: pprince@fresnohousing.org

General Partner(s) or Principal Owner(s): Doragon @ Chinatown AGP, LLC
Silvercrest, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Housing Authority of the City of Fresno
Silvercrest, Inc.
Developer: Housing Authority of the City of Fresno
Investor/Consultant: California Housing Partnership Corporation
Management Agent: GSF Properties

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 57
 No. / % of Low Income Units: 56 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-based Vouchers (13 units - 23%)

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: May 1, 2020

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 15	27%
50% AMI: 14	25%
60% AMI: 27	48%

Unit Mix

15 SRO/Studio Units
 16 1-Bedroom Units
 23 2-Bedroom Units
 3 3-Bedroom Units

 57 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 SRO/Studio	30%	30%	\$340
5 1 Bedroom	30%	30%	\$364
5 2 Bedrooms	30%	30%	\$438
4 SRO/Studio	50%	50%	\$567
4 1 Bedroom	50%	50%	\$608
5 2 Bedrooms	50%	50%	\$730
1 3 Bedrooms	50%	50%	\$842
6 SRO/Studio	60%	56%	\$639
7 1 Bedroom	60%	60%	\$729
13 2 Bedrooms	60%	58%	\$851
1 3 Bedrooms	60%	60%	\$1,010
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,152,902
Construction Costs	\$22,540,952
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,051,597
Soft Cost Contingency	\$163,800
Relocation	\$0
Architectural/Engineering	\$1,142,507
Const. Interest, Perm. Financing	\$1,443,929
Legal Fees	\$235,900
Reserves	\$407,688
Other Costs	\$1,661,884
Developer Fee	\$3,909,913
Commercial Costs	\$755,387
Total	\$35,466,459

Residential

Construction Cost Per Square Foot:	\$409
Per Unit Cost:	\$608,966
True Cash Per Unit Cost*:	\$566,041

Construction Financing

Source	Amount
US Bank - T.E. Bonds	\$20,156,880
City of Fresno - HOME	\$397,118
Fresno Housing Authority - AHD ¹	\$8,007,319
Fresno Housing Authority - STI ¹	\$977,902
Housing Relinquished Fund Corp.	\$850,876
Deferred Costs	\$1,468,175
Deferred Developer Fee	\$2,500,000
General Partner Equity	\$409,712
Tax Credit Equity	\$698,477

Permanent Financing

Source	Amount
CalHFA - Perm Loan	\$1,855,000
CalHFA - Gap Loan	\$539,000
HCD - IIG	\$1,160,000
City of Fresno - HOME	\$397,118
Fresno Housing Authority - AHD ¹	\$8,007,319
Fresno Housing Authority - STI ¹	\$977,902
Fresno Housing Authority - HRI ¹	\$2,800,000
Housing Relinquished Fund Corp.	\$850,876
Deferred Developer Fee	\$2,500,000
General Partner Equity	409712
Tax Credit Equity	\$15,969,532
TOTAL	\$35,466,459

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

¹Strategic Growth Council - Transformative Climate Community Program

Determination of Credit Amount(s)

Requested Eligible Basis:	\$32,872,236
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$42,733,906
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,384,579
Total State Credit:	\$3,839,074
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,909,913
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.93991
State Tax Credit Factor:	\$0.76992

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:	\$32,872,236
Actual Eligible Basis:	\$32,872,236
Unadjusted Threshold Basis Limit:	\$16,813,738
Total Adjusted Threshold Basis Limit:	\$35,406,952

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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 25%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 52%

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 3.24% 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 proposed rents do not include any utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.