

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 First Round**

**June 17, 2020**

Harvest Garden Apartments, located at 1429 Nut Tree Road in Livingston, requested and is being recommended for a reservation of \$520,809 in annual federal tax credits and \$1,770,797 in total state tax credits to finance the acquisition and rehabilitation of 43 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Micon Real Estate and is located in Senate District 12 and Assembly District 21.

The project 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-20-010

**Project Name** Harvest Garden Apartments  
**Site Address:** 1429 Nut Tree Road  
Livingston, CA 95334 **County:** Merced  
**Census Tract:** 3.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$520,809	\$1,770,797
Recommended:	\$520,809	\$1,770,797

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

**Applicant Information**

**Applicant:** Livingston Harvest Garden, LP  
**Contact:** Christina Alley  
**Address:** 3351 "M" Street, Suite 100  
Merced, CA 95348  
**Phone:** (209) 388-0782  
**Email:** chris@centralvalleycoalition.com

**General Partner(s) / Principal Owner(s):** Central Valley Coalition for Affordable Housing  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Central Valley Coalition for Affordable Housing  
**Developer:** Micon Real Estate  
**Investor/Consultant:** Boston Financial  
**Management Agent(s):** Buckingham Property Management

**Project Information**

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 9  
**Total # of Units:** 44  
**No. & % of Tax Credit Units:** 43 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** USDA RHS 515 / USDA RHS 521 Rental Assistance (44 Units - 100%)

**Information**

Set-Aside: Rural  
Housing Type: At-Risk  
Geographic Area: N/A  
TCAC Project Analyst: Tiffani Negrete

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 5	10%
At or Below 45% AMI: 5	10%
At or Below 50% AMI (Rural): 22	50%
At or Below 55% AMI (Rural): 5	10%
At or Below 60% AMI: 6	10%

**Unit Mix**

12 1-Bedroom Units
28 2-Bedroom Units
4 3-Bedroom Units
<u>44 Total Units</u>

<u>Unit Type &amp; 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>
1 1 Bedroom	30%	30%	\$364
1 1 Bedroom	45%	45%	\$547
6 1 Bedroom	50%	50%	\$608
2 1 Bedroom	55%	55%	\$668
2 1 Bedroom	60%	60%	\$729
3 2 Bedrooms	30%	30%	\$438
3 2 Bedrooms	45%	45%	\$657
15 2 Bedrooms	50%	50%	\$730
3 2 Bedrooms	55%	55%	\$803
4 2 Bedrooms	60%	60%	\$876
1 3 Bedrooms	30%	30%	\$505
1 3 Bedrooms	45%	45%	\$758
1 3 Bedrooms	50%	50%	\$842
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$635

**Project Cost Summary at Application**

Land and Acquisition	\$1,800,000
Construction Costs	\$0
Rehabilitation Costs	\$3,284,444
Construction Contingency	\$392,444
Relocation	\$300,000
Architectural/Engineering	\$120,000
Const. Interest, Perm. Financing	\$366,400
Legal Fees	\$235,000
Reserves	\$645,886
Other Costs	\$276,463
Developer Fee	\$755,843
Commercial Costs	\$0
<b>Total</b>	<b>\$8,176,480</b>

**Residential**

Construction Cost Per Square Foot:	\$92
Per Unit Cost:	\$185,829
True Cash Per Unit Cost*:	\$185,684

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Mechanics Bank	\$3,370,206	USDA RHS 515 (Assumed)	\$1,211,988
USDA RHS 515 (Assumed)	\$1,211,988	USDA RHS 515 Incentive Loan	\$943,756
USDA RHS 515 Incentive Loan	\$943,756	Deferred Developer Fee	\$6,400
Deferred Reserves	\$90,386	Tax Credit Equity	\$6,014,336
Deferred Developer Fee	\$755,843	<b>TOTAL</b>	<b>\$8,176,480</b>
Tax Credit Equity	\$1,804,301		

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,217,881
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,580,250
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,217,881
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,580,250
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$469,609
Maximum Annual Federal Credit, Acquisition:	\$51,200
Total Maximum Annual Federal Credit:	\$520,809
Total State Credit:	\$1,770,797
Approved Developer Fee (in Project Cost & Eligible Basis):	\$755,843
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.91000
State Tax Credit Factor:	\$0.72000

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:	\$6,798,131
Actual Eligible Basis:	\$6,798,131
Unadjusted Threshold Basis Limit:	\$13,816,212
Total Adjusted Threshold Basis Limit:	\$13,816,212

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Final:	<b>47.366%</b>

**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, 3.24%. 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**

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly.

**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, City of Livingston, has completed a site review of this project and strongly supports this project.

**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.

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 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	0
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	3	3	0
Within 1.5 miles of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**