CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Walnut Apartments, located at 311 E. Walnut Street in Fort Bragg, requested and is being recommended for a reservation of $375,639 in annual federal tax credits to finance the acquisition and rehabilitation of 55 units of housing serving tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by DFA Development LLC and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and USDA 521 Rental Assistance.

Project Number CA-20-590

Project Name Walnut Apartments
Site Address: 311 E. Walnut Street
Fort Bragg, CA 95437 County: Mendocino
Census Tract: 105.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$375,639	$0
Recommended:	$375,639	$0

Applicant Information
Applicant: DFA Development LLC
Contact: Daniel Fred
Address: 119 E Weber Avenue
Stockton, CA 95202
Phone: 415-595-4547
Email: Dfred@dfadevelopment.com

General Partner(s) / Principal Owner(s): DFA Walnut LLC
Building Better Neighborhoods Inc.
General Partner Type: Joint Venture
Parent Company(ies): DFA Development LLC
Building Better Neighborhoods Inc.
Developer: DFA Development LLC
Investor/Consultant: CREA, LLC
Management Agent: FPI Management Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	7
Total # of Units:	56
No. / % of Low Income Units:	55 100%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / USDA 515 / USDA 538 / USDA 521 Rental Assistance(19 units - 34%) / HUD Section 8 Project-based Vouchers (25 Units - 45%)

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	March 1, 2021
Credit Enhancement	Bonneville Multifamily Capital

Information

Housing Type:	Non-Targeted
Geographic Area:	Mendocino County
TCAC Project Analyst:	Alex Ninh

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	6	11%
50% AMI:	16	29%
60% AMI:	25	45%
70% AMI:	4	7%
80% AMI:	4	7%

Unit Mix

24	1-Bedroom Units
28	2-Bedroom Units
4	3-Bedroom Units
56	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	30%	30%	$393
3	2 Bedrooms	30%	30%	$472
1	3 Bedrooms	30%	30%	$545
11	1 Bedroom	50%	50%	$656
5	2 Bedrooms	50%	50%	$787
10	1 Bedroom	60%	60%	$787
10	2 Bedrooms	60%	60%	$945
4	2 Bedrooms	60%	60%	$945
1	3 Bedrooms	60%	60%	$1,090
3	2 Bedrooms	70%	70%	$1,102
1	2 Bedrooms	70%	70%	$1,102
1	1 Bedroom	80%	74%	$974
2	2 Bedrooms	80%	78%	$1,229
1	3 Bedrooms	80%	80%	$1,454
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$3,600,000
Construction Costs	$0
Rehabilitation Costs	$4,095,224
Contingency Costs	$509,522
Relocation	$200,000
Architectural/Engineering	$145,000
Const. Interest, Perm. Financing	$695,478
Legal Fees	$125,000
Reserves	$513,294
Other Costs	$527,360
Developer Fee	$1,161,776
Commercial Costs	$0
Total	**$11,572,654**

Residential

Construction Cost Per Square Foot:	$95
Per Unit Cost:	$206,655
True Cash Per Unit Cost*:	$196,786

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bond Loan TE -Stifel/Nicolaus Co.	$4,900,000	Bonneville-USDA 538	$5,700,000
Bonneville-USDA 538	$800,000	USDA-Rural Development 515 Loan	$1,950,452
Bonneville Gap Loan	$1,500,000	Deferred Developer Fee	$552,656
USDA-Rural Development 515 Loan	$1,950,452	Solar Tax Credit Equity	$26,700
Income During Construction	$1,586,282	Tax Credit Equity	$3,342,846
Tax Credit Equity	$835,920	**TOTAL**	**$11,572,654**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,087,527
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$3,680,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,913,785
Qualified Basis (Acquisition):	$3,680,000
Applicable Rate (Acquisition/Rehabilitation):	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$256,407
Maximum Annual Federal Credit, Acquisition:	$119,232
Total Maximum Annual Federal Credit:	$375,639
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,161,776
Investor/Consultant:	CREA, LLC
Federal Tax Credit Factor:	$0.88991

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:	$9,767,527
Actual Eligible Basis:	$9,782,527
Unadjusted Threshold Basis Limit:	$19,255,416
Total Adjusted Threshold Basis Limit:	$28,690,570

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: 29%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 20%

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: None.

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.

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.

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.

The applicant must pay TCAC a performance deposit and 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.