

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Victory Gardens, located at 295 W. Mathews Road in French Camp, requested and is being recommended for a reservation of \$1,960,374 in annual federal tax credits to finance the new construction of 48 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by DFA Development LLC and will be located in Senate District 13 and Assembly District 5.

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 VHHP, and California Emergency Solutions and Housing (CESH) program(s) of HCD.

Project Number CA-20-066

Project Name Victory Gardens
Site Address: 295 W. Mathews Road
French Camp, CA 95231 County: San Joaquin
Census Tract: 38.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,960,374	\$0
Recommended:	\$1,960,374	\$0

Applicant Information

Applicant: Victory Gardens, LP
Contact: Peter W. Ragsdale
Address: 2575 Grand Canal Blvd.
Stockton, CA 95207
Phone: 209-460-5065
Email: Pragsdale@HACCSJ.org

General Partner(s) / Principal Owner(s): DCDC Victory Gardens, LLC
DFA Victory Gardens LLC

General Partner Type: Joint Venture

Parent Company(ies): Delta Community Developers Corp.
DFA Development, LLC

Developer: DFA Development LLC

Investor/Consultant: California Housing Partnership Corporation

Management Agent(s): DKD Property Management Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 8

Total # of Units: 49

No. & % of Tax Credit Units: 48 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: CDBG / HUD Project-based VASH (43 units - 89.58%) / Housing Choice Project based Vouchers (5 units - 10.42%)

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 36.88%
 % of Special Need Units: 48 100%
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Jonghyun(Tommy), Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 23	45%
At or Below 40% AMI: 17	35%
At or Below 50% AMI: 8	15%

Unit Mix

41 1-Bedroom Units
 8 2-Bedroom Units

 49 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 1 Bedroom	30%	30%	\$421
2 2 Bedrooms	30%	30%	\$506
4 1 Bedroom	30%	30%	\$421
15 1 Bedroom	40%	40%	\$562
2 2 Bedrooms	40%	40%	\$675
4 1 Bedroom	50%	50%	\$703
3 2 Bedrooms	50%	50%	\$843
1 1 Bedroom	50%	50%	\$703
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,503,400
Construction Costs	\$14,082,832
Rehabilitation Costs	\$0
Construction Contingency	\$1,300,017
Relocation	\$0
Architectural/Engineering	\$899,000
Const. Interest, Perm. Financing	\$2,019,354
Legal Fees	\$240,000
Reserves	\$2,788,405
Other Costs	\$1,531,505
Developer Fee	\$1,900,000
Commercial Costs	\$0
Total	\$26,264,513

Residential

Construction Cost Per Square Foot:	\$417
Per Unit Cost:	\$536,010
True Cash Per Unit Cost*:	\$533,034

Construction Financing

Source	Amount
US Bank	\$18,423,673
County of San Joaquin CDBG	\$925,000
County of San Joaquin Land Lease	\$900,000
Deferred Costs	\$3,736,040
Deferred Developer Fee	\$145,858
General Partner Equity	\$408,985
Tax Credit Equity	\$1,724,957

Permanent Financing

Source	Amount
HCD VHHP	\$6,802,600
County of San Joaquin CDBG	\$925,000
County of San Joaquin Land Lease	\$900,000
Deferred Developer Fee	\$145,858
General Partner Equity	\$408,985
Tax Credit Equity	\$17,082,070
TOTAL	\$26,264,513

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,755,337
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,781,938
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,960,374
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,900,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.87137

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:	\$16,755,337
Actual Eligible Basis:	\$21,506,298
Unadjusted Threshold Basis Limit:	\$13,470,063
Total Adjusted Threshold Basis Limit:	\$18,823,742

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

100% of the Low Income Units for Special Needs Population

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: **Special Needs**
Final: **55.635%**

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

Staff noted a per unit development cost of roughly \$536,010. The applicant noted that the per unit cost is attributed in part to the supportive services and large transition reserve required for the HCD VHHP financing that is specifically for homeless veterans.

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, San Joaquin County Community Development Department, 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.

Points System	Max. Possible Points	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 1/3 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1/2 mile of school grounds/facilities open to public with JUA	3	3	3
Within 1/2 mile of a neighborhood market of at least 5,000 sf	3	3	3
Special Needs project within 1/2 mile of facility serving tenant population	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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
Enhanced Accessibility and Visitability	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.