

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**October 14, 2020**

Denair Manor Apartments, located at 550 Wayside Drive in Turlock, requested and is being recommended for a reservation of \$1,057,967 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving seniors with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by American Community Developers, Inc. and is located in Senate District 8 and Assembly District 12.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-20-069

**Project Name** Denair Manor Apartments  
Site Address: 550 Wayside Drive  
Turlock, CA 95380 County: Stanislaus  
Census Tract: 39.060

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$1,057,967           | \$0                |
| Recommended:              | \$1,057,967           | \$0                |

**Applicant Information**

Applicant: Denair Manor 2019 Limited Partnership  
Contact: Derek M. Skrynski  
Address: 25250 Harper Avenue  
Detroit, MI 48225  
Phone: 760-452-6711  
Email: derek@acdmail.com

General Partner(s) / Principal Owner(s): AOF Cameron Villa LLC  
American Community Developers, Inc.  
General Partner Type: Joint Venture  
Parent Company(ies): AOF/Pacific Affordable Housing Corp.  
American Community Developers, Inc.  
Developer: American Community Developers, Inc.  
Investor/Consultant: CREA  
Management Agent(s): Independent Management Services

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 5  
Total # of Units: 70  
No. & % of Tax Credit Units: 69 100%  
Federal Set-Aside Elected: 40%/60% Average Income  
Federal Subsidy: HUD Section 8 Project Based Vouchers (69 units - 100%) / HUD 221(d)(4)

**Information**

Set-Aside: N/A  
Housing Type: Seniors  
Geographic Area: Central Valley Region  
TCAC Project Analyst: Ruben Barcelo

**55-Year Use / Affordability**

| <b>Aggregate Targeting</b> | <b>Number of Units</b> | <b>Percentage of Affordable Units</b> |
|----------------------------|------------------------|---------------------------------------|
| At or Below 30% AMI:       | 7                      | 10%                                   |
| At or Below 40% AMI:       | 14                     | 20%                                   |
| At or Below 50% AMI:       | 21                     | 30%                                   |
| At or Below 60% AMI:       | 27                     | 35%                                   |

**Unit Mix**

|                       |
|-----------------------|
| 70 1-Bedroom Units    |
| <u>70 Total Units</u> |

| <b>Unit Type &amp; Number</b> | <b>2020 Rents Targeted % of Area Median Income</b> | <b>2020 Rents Actual % of Area Median Income</b> | <b>Proposed Rent (including utilities)</b> |
|-------------------------------|--|--|--|
| 7 1 Bedroom                   | 30%  | 30%  | \$393                                      |
| 14 1 Bedroom                  | 40%  | 40%  | \$525                                      |
| 21 1 Bedroom                  | 50%  | 50%  | \$656                                      |
| 23 1 Bedroom                  | 60%  | 60%  | \$787                                      |
| 4 1 Bedroom                   | 80%  | 80%  | \$1,050                                    |
| 1 1 Bedroom                   | Manager's Unit                                     | Manager's Unit                                   | \$1,026                                    |

**Project Cost Summary at Application**

|                                  |                     |
|----------------------------------|---------------------|
| Land and Acquisition             | \$9,135,000         |
| Construction Costs               | \$0                 |
| Rehabilitation Costs             | \$4,894,790         |
| Construction Contingency         | \$486,434           |
| Relocation                       | \$150,000           |
| Architectural/Engineering        | \$122,235           |
| Const. Interest, Perm. Financing | \$529,150           |
| Legal Fees                       | \$210,450           |
| Reserves                         | \$195,138           |
| Other Costs                      | \$185,988           |
| Developer Fee                    | \$2,000,000         |
| Commercial Costs                 | \$0                 |
| <b>Total</b>                     | <b>\$17,909,185</b> |

**Residential**

|                                    |           |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$93      |
| Per Unit Cost:                     | \$255,846 |
| True Cash Per Unit Cost*:          | \$247,079 |

| <b>Construction Financing</b> |               | <b>Permanent Financing</b> |                     |
|-------------------------------|---------------|----------------------------|---------------------|
| <u>Source</u>                 | <u>Amount</u> | <u>Source</u>              | <u>Amount</u>       |
| PNC Bank - HUD 221(d)4        | \$7,669,000   | PNC Bank - HUD 221(d)4     | \$7,669,000         |
| Tax Credit Equity             | \$6,738,576   | Deferred Developer Fee     | \$613,648           |
|                               |               | Tax Credit Equity          | \$9,626,537         |
|                               |               | <b>TOTAL</b>               | <b>\$17,909,185</b> |

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

**Determination of Credit Amount(s)**

|  |             |
|--|-------------|
| Requested Eligible Basis (Rehabilitation):     | \$6,652,422 |
| 130% High Cost Adjustment:                     | Yes         |
| Requested Eligible Basis (Acquisition):        | \$8,630,670 |
| Applicable Fraction:                           | 100.00%     |
| Qualified Basis (Rehabilitation):              | \$8,648,149 |
| Applicable Rate:                               | 9.00%       |
| Qualified Basis (Acquisition):                 | \$8,630,670 |
| Applicable Rate:                               | 3.24%       |
| Maximum Annual Federal Credit, Rehabilitation: | \$778,333   |
| Maximum Annual Federal Credit, Acquisition:    | \$279,634   |
| Total Maximum Annual Federal Credit:           | \$1,057,967 |
| Approved Developer Fee in Project Cost:        | \$2,000,000 |
| Approved Developer Fee in Eligible Basis:      | \$1,278,691 |
| Investor/Consultant:                           | CREA        |
| Federal Tax Credit Factor:                     | \$0.90991   |

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:  | \$15,283,092 |
| Actual Eligible Basis:                | \$15,283,092 |
| Unadjusted Threshold Basis Limit:     | \$18,616,010 |
| Total Adjusted Threshold Basis Limit: | \$22,339,212 |

**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.

**Tie-Breaker Information**

|        |                |
|--------|----------------|
| First: | <b>Seniors</b> |
| Final: | <b>26.503%</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:** None.

**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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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                     |
| Negative Points   |                             | 0                       | 0                     |
| <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 ½ mile of public park or community center open to general public     | 3                           | 3                       | 3                     |
| Within ½ mile of public library   | 3                           | 3                       | 3                     |
| Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf     | 4                           | 4                       | 4                     |
| Senior project within ½ mile of daily operated senior center/facility       | 3                           | 3                       | 3                     |
| Within ½ mile of medical clinic or hospital                                 | 3                           | 3                       | 3                     |
| Within ½ 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. 60 hrs/yr instruction   | 5                           | 5                       | 5                     |
| Health & wellness services and programs, minimum 100 hrs per 100 bdrms      | 5                           | 5                       | 5                     |
| <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.**