

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**October 14, 2020**

Sanger Crossing Apartments II, located at NE Corner of J Street and North Avenue in Sanger, requested and is being recommended for a reservation of \$1,200,639 in annual federal tax credits to finance the new construction of 36 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 14 and Assembly District 31.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance. The project financing includes state funding from the FWHG (Joe Serna) program of HCD.

**Project Number** CA-20-129

**Project Name** Sanger Crossing Apartments II  
Site Address: NE Corner of J Street and North Avenue  
Sanger, CA 93657 County: Fresno  
Census Tract: 62.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,200,639	\$0
Recommended:	\$1,200,639	\$0

**Applicant Information**

Applicant: Sanger Pacific Associates II, a California Limited Partnership  
Contact: Caleb Roope  
Address: 430 E. State Street, Suite 100  
Eagle, ID 83616  
Phone: 208.461.0022  
Email: calebr@tpchousing.com

General Partner(s) / Principal Owner(s): TPC Holdings VII, LLC  
Central Valley Coalition for Affordable Housing  
General Partner Type: Joint Venture  
Parent Company(ies): The Pacific Companies  
Central Valley Coalition for Affordable Housing  
Developer: Pacific West Communities, Inc.  
Investor/Consultant: Boston Capital  
Management Agent(s): Aperto Property Management, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 3  
Total # of Units: 36  
No. & % of Tax Credit Units: 36 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: USDA RD 521 Rental Assistance (36 Units - 100%) / USDA RD 514  
Utility Allowance: CUAC

**Information**

Set-Aside: Rural apportionment (Section 514)  
Housing Type: Large Family  
Geographic Area: Rural  
TCAC Project Analyst: Franklin Cui

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 4	10%
At or Below 40% AMI: 4	10%
At or Below 50% AMI (Rural): 18	50%
At or Below 60% AMI: 10	25%

**Unit Mix**

12 2-Bedroom Units
24 3-Bedroom Units
<u>36 Total Units</u>

<u>Unit Type &amp; 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>
1 2 Bedrooms	30%	30%	\$472
1 2 Bedrooms	40%	40%	\$630
6 2 Bedrooms	50%	50%	\$787
4 2 Bedrooms	60%	55%	\$871
3 3 Bedrooms	30%	30%	\$545
3 3 Bedrooms	40%	40%	\$727
12 3 Bedrooms	50%	50%	\$908
6 3 Bedrooms	60%	55%	\$1,006

**Project Cost Summary at Application**

Land and Acquisition	\$635,000
Construction Costs	\$12,323,190
Rehabilitation Costs	\$0
Construction Contingency	\$900,000
Relocation	\$0
Architectural/Engineering	\$595,000
Const. Interest, Perm. Financing	\$581,100
Legal Fees	\$50,000
Reserves	\$219,203
Other Costs	\$1,118,702
Developer Fee	\$2,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$18,622,195</b>

**Residential**

Construction Cost Per Square Foot:	\$354
Per Unit Cost:	\$517,283
True Cash Per Unit Cost*:	\$497,839

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Boston Capital Finance	\$10,672,814	Boston Capital Finance	\$2,100,000
HCD - Joe Serna, Jr. Farmworker Housing	\$3,867,732	USDA RD - 514	\$1,000,000
Sanger Housing Auth. (SHA) Land Loan	\$630,000	HCD - Joe Serna, Jr. Farmworker Housing	\$3,867,732
Deferred Costs	\$219,203	SHA Land Loan	\$630,000
Deferred Developer Fee	\$2,200,000	Deferred Developer Fee	\$700,000
Tax Credit Equity	\$1,032,446	Tax Credit Equity	\$10,324,463
		<b>TOTAL</b>	<b>\$18,622,195</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,340,433
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$13,340,433
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,200,639
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.85991

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:	\$13,340,433
Actual Eligible Basis:	\$17,520,433
Unadjusted Threshold Basis Limit:	\$13,704,576
Total Adjusted Threshold Basis Limit:	\$17,772,863

**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

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

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>42.376%</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**

This 20-unit project is the second phase built adjacent to an existing tax-credit Large Family project, CA-2014-044. The projects will share the community facilities in phase I, CA-2014-044, including the manager unit.

**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 Sanger, 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	5
Within 1/4 mile of an elementary school that project children may attend	3	3	3
Within 1 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. 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>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	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>
State Credit Substitution	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.**