

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2020 Second Round
October 14, 2020

Butterfly Gardens, located at 784 West Holland Ave in Clovis, requested and is being recommended for a reservation of \$1,175,281 in annual federal tax credits and \$3,514,958 in total state tax credits to finance the new construction of 73 units of housing serving special needs tenants with rents affordable to households earning 15-30% of area median income (AMI). The project will be developed by UP Development LLC and will be located in Senate District 8 and Assembly District 23.

Butterfly Gardens will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-910

Project Name Butterfly Gardens
 Site Address: 784 W Holland Ave
 Clovis, CA 93612 County: Fresno
 Census Tract: 6019003100.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,175,281	\$3,514,958
Recommended:	\$1,175,281	\$3,514,958

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: UPH Butterfly Gardens LP
 Contact: Ryan Wilson
 Address: 2670 W Beechwood Ave
 Fresno, CA 93711
 Phone: (312) 870-4747
 Email: ryan@upholdings.net

General Partner(s) / Principal Owner(s): Self Help Enterprises
 UPH Butterfly Gardens LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Self Help Enterprises
 UP Holdings California LLC
 Developer: UP Development LLC
 Investor/Consultant: Alliant Capital, Ltd.
 Management Agent: AWI Property Management
 UPA

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 75
 No. / % of Low Income Units: 73 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (73 units - 100%)

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 03/01/21

Information

Housing Type: Special Needs
 Type of Special Needs: Homeless, Persons with physical, mental, developmental disabilities
 Average Targeted Affordability of Special Needs/SRO Project Units: 22.60%
 % of Special Need Units 73 units 100%
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 36	45%
At or Below 35% AMI: 37	50%

Unit Mix

75 1-Bedroom Units
 75 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
36 1 Bedroom	15%	16%	\$197
37 1 Bedroom	30%	32%	\$393
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$548,980
Construction Costs	\$20,020,085
Rehabilitation Costs	\$0
Contingency Costs	\$1,096,478
Relocation	\$0
Architectural/Engineering	\$501,000
Const. Interest, Perm. Financing	\$1,290,000
Legal Fees	\$65,000
Reserves	\$516,957
Other Costs	\$2,306,563
Developer Fee	\$3,150,000
Commercial Costs	\$0
Total	\$29,495,063

Residential

Construction Cost Per Square Foot:	\$336
Per Unit Cost:	\$393,268
True Cash Per Unit Cost*:	\$380,601

Construction Financing

Source	Amount
Citibank	\$25,000,000
Fresno County Department of Behavioral	\$3,500,000
Tax Credit Equity	\$995,063

Permanent Financing

Source	Amount
Citibank	\$2,750,000
HCD - NPLH	\$9,000,000
Fresno County Department of Beh	\$3,500,000
City of Clovis - impact fee	\$300,000
Deferred Developer Fee	\$950,000
Solar Tax Credit Equity	\$75,680
Tax Credit Equity	\$12,919,383
TOTAL	\$29,495,063

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,903,156
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$36,274,103
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,175,281
Total State Credit:	\$3,514,958
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,150,000
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.86000
State Tax Credit Factor:	\$0.80000

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:	\$27,903,156
Actual Eligible Basis:	\$27,982,356
Unadjusted Threshold Basis Limit:	\$22,581,975
Total Adjusted Threshold Basis Limit:	\$73,789,273

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
- Local Development Impact Fees
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units
- Income Targeted at 35% AMI or Below: 200%

Tie-Breaker Information

Final: 85.161%

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

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

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

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.

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 submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	9	6
Management Experience	3	6	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	0
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	0	4
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. 1 FTE per 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Lowest Income	32	32	32
Basic Targeting	30	30	30
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	100	2
Readiness to Proceed	10	10	10
Total Points	86	86	86

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.