

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 Second Round
September 24, 2014

Project Number CA-14-115

Project Name Orchard Village Apartments
 Site Address: 1555 South Avenue
 Orange Cove, CA 93646 County: Fresno
 Census Tract: 65.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,188,267	\$0
Recommended:	\$1,188,267	\$0

Applicant Information

Applicant: Benodet Enterprises, LP
 Contact: John H. DeClercq
 Address: 1640 School Street
 Moraga, CA 94556
 Phone: (925) 235-1052 Fax: (925) 235-1060
 Email: jhdeclercq@mackenziecapital.com

General Partner(s) / Principal Owner(s): Benodet Enterprises, LP
 Klein Financial Resources
 Riverside Charitable Corporation

General Partner Type: Joint Venture

Parent Company(ies): Benodet Enterprises, LP
 Klein Financial Resources
 Riverside Charitable Corporation

Developer: Benodet Enterprises, LP
 Investor/Consultant: WNC & Associates, Inc.
 Management Agent(s): MBS Property Management

Project Information

Construction Type: Acquisition and Rehabilitation

Total # Residential Buildings: 32

Total # of Units: 188

No. & % of Tax Credit Units: 186 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: N/A

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	19	10 %
35% AMI:	38	20 %
55% AMI (Rural):	75	40 %

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Mayra Lozano

Unit Mix

24 1-Bedroom Units
 88 2-Bedroom Units
 48 3-Bedroom Units
 28 4-Bedroom Units

 188 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$307
4 1 Bedroom	35%	35%	\$359
8 1 Bedroom	55%	55%	\$564
10 1 Bedroom	60%	60%	\$615
9 2 Bedrooms	30%	30%	\$369
14 2 Bedrooms	35%	35%	\$431
35 2 Bedrooms	55%	55%	\$677
28 2 Bedrooms	60%	60%	\$739
5 3 Bedrooms	30%	30%	\$426
12 3 Bedrooms	35%	35%	\$497
20 3 Bedrooms	55%	55%	\$782
11 3 Bedrooms	60%	60%	\$853
3 4 Bedrooms	30%	30%	\$476
8 4 Bedrooms	35%	35%	\$555
12 4 Bedrooms	55%	55%	\$873
5 4 Bedrooms	60%	60%	\$952
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$21,283,293
Estimated Residential Project Cost:	\$21,283,293

Construction Financing

Source	Amount
Chase Bank	\$10,226,588
HCD - RHCP (Assumed)	\$2,833,551
Accrued Interest Assumption	\$1,609,060
Construction Period Income	300,000
Existing Reserves	\$252,000
Deferred Operating Reserve	\$546,582
Deferred Developer Fee	\$1,581,120
Owner Equity	\$564,000
Tax Credit Equity	\$3,370,392

Residential

Construction Cost Per Square Foot:	\$49
Per Unit Cost:	\$113,209

Permanent Financing

Source	Amount
Bonneville Mortgage - RHS 538 L	\$4,554,972
HCD - RHCP (Assumed)	\$2,833,551
Accrued Interest Assumption	\$1,609,060
Construction Period Income	\$300,000
Existing Reserves	\$252,000
Owner Equity	\$564,000
Tax Credit Equity	\$11,169,710
TOTAL	\$21,283,293

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,870,800
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$15,432,040
Applicable Rate:	7.70%
Maximum Annual Federal Credit:	\$1,188,267
Approved Developer Fee in Project Cost:	\$1,581,120
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.94000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$11,870,800
Actual Eligible Basis:	\$11,940,800
Unadjusted Threshold Basis Limit:	\$39,341,632
Total Adjusted Threshold Basis Limit:	\$39,341,632

Adjustments to Basis Limit: None

Tie-Breaker Information

First:	Large Family
Second:	27.911%

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 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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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.

Special Issues/Other Significant Information:

The applicant requested a waiver for the square footage requirements for two-bedroom units as allowed in TCAC Regulation Section 10325(g)(1)(B). The waiver request has been granted by the TCAC Executive Director and the square footage for two-bedroom units at this project will be at least 746 square feet in size.

This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Orchard Village Apartments (CA-93-043).

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.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,188,267	\$0

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.

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 ten 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)(6) 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.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	20	7	7
Public Funds	20	13	13
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
Dial-a-ride service for rural set-aside projects	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within .5 mile of a neighborhood market of at least 5,000 sf	4	4	4
Within .75 miles of a public high school	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.