**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**2016 Second Round**
**September 21, 2016**

Pleasant Valley Pines Apartments, located at 141 S. 3rd Street in Coalinga, requested and is being recommended for a reservation of $634,144 in annual federal tax credits and $2,113,004 in total state tax credits to finance the acquisition and rehabilitation of 44 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 DFA Development LLC and is located in Senate District 12 and Assembly District 31.

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

**Project Number** CA-16-129

**Project Name** Pleasant Valley Pines Apartments

| | | |
|---|---|---|
| Site Address: | 141 S. 3rd Street | |
| | Coalinga, CA 93210 | County: Fresno |
| Census Tract: | 81.000 | |

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $634,144 | $2,113,004 |
| Recommended: | $634,144 | $2,113,004 |

**Applicant Information**

| | | |
|---|---|---|
| Applicant: | DFA Pleasant Valley Associates LP | |
| Contact: | Daniel Fred | |
| Address: | 119 E. Weber Avenue | |
| | Stockton , CA 95202 | |
| Phone: | 415-595-4547 | Fax: 209-939-1035 |
| Email: | dfred@dfadevelopment.com | |

| | |
|---|---|
| General Partner(s) / Principal Owner(s): | RCC MGP LLC |
| | DFA Pleasant Valley Associates LLC |
| General Partner Type: | Joint Venture |
| Parent Company(ies): | Riverside Charitable Coporation |
| | DFA Development LLC |
| Developer: | DFA Development LLC |
| Investor/Consultant: | PNC Real Estate |
| Management Agent(s): | DKD Property Management Company |

**Project Information**

| | |
|---|---|
| Construction Type: | Acquisition & Rehabilitation |
| Total # Residential Buildings: | 8 |
| Total # of Units: | 52 |
| No. & % of Tax Credit Units: | 44 86% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | HUD Section 8 Project-based Contract (44 units - 100%) |

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

| | | |
|---|---|---|
| 30% AMI: | 5 | 10 % |
| 45% AMI: | 11 | 25 % |
| 50% AMI: | 18 | 40 % |

**Information**

| | |
|---|---|
| Set-Aside: | Rural |
| Housing Type: | Large Family |
| Geographic Area: | N/A |
| TCAC Project Analyst: | Zhuo Chen |

**Unit Mix**

| | |
|---|---|
| 16 | 1-Bedroom Units |
| 24 | 2-Bedroom Units |
| 12 | 3-Bedroom Units |
| 52 | Total Units |

| Unit Type & Number | | 2016 Rents Targeted % of Area Median Income | 2016 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 2 | 1 Bedroom | 45% | 45% | $497 |
| 4 | 1 Bedroom | 50% | 50% | $553 |
| 5 | 1 Bedroom | 60% | 60% | $663 |
| 3 | 2 Bedrooms | 30% | 30% | $398 |
| 6 | 2 Bedrooms | 45% | 45% | $597 |
| 9 | 2 Bedrooms | 50% | 50% | $663 |
| 4 | 2 Bedrooms | 60% | 60% | $796 |
| 2 | 3 Bedrooms | 30% | 30% | $459 |
| 3 | 3 Bedrooms | 45% | 45% | $689 |
| 5 | 3 Bedrooms | 50% | 50% | $766 |
| 1 | 3 Bedrooms | 60% | 60% | $919 |
| 1 | 3 Bedrooms | Manager’s Unit | Manager’s Unit | $0 |
| 5 | 1 Bedroom | Market Rate Unit | Market Rate Unit | $600 |
| 2 | 2 Bedrooms | Market Rate Unit | Market Rate Unit | $715 |

**Project Cost Summary at Application**

| | |
|---|---|
| Land and Acquisition | $2,536,219 |
| Construction Costs | $0 |
| Rehabilitation Costs | $5,737,760 |
| Construction Contingency | $573,776 |
| Relocation | $220,000 |
| Architectural/Engineering | $115,000 |
| Const. Interest, Perm. Financing | $495,580 |
| Legal Fees, Appraisals | $195,000 |
| Reserves | $753,322 |
| Other Costs | $289,120 |
| Developer Fee | $1,425,793 |
| Commercial Costs | $0 |
| **Total** | **$12,341,570** |

**Project Financing**

| | |
|---|---|
| Estimated Total Project Cost: | $12,341,570 |
| Estimated Residential Project Cost: | $12,341,570 |
| Estimated Commercial Project Cost: | $0 |

**Residential**

| | |
|---|---|
| Construction Cost Per Square Foot: | $138 |
| Per Unit Cost: | $237,338 |
| True Cash Per Unit Cost*: | $237,338 |

**Construction Financing**

| Source | Amount |
|---|---|
| PNC Bank | $8,000,000 |
| HUD Section 221(d)(4) (Assumed) | $894,062 |
| HUD Section 221(d)(4) (Assumed) | $761,576 |
| Replacement Reserves | $248,000 |
| Net Operating Income | $1,264,882 |
| Tax Credit Equity | $1,173,050 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Bonneville Mortgage (Tranche A) | $1,567,000 |
| Bonneville Mortgage (Tranche B) | $933,000 |
| HUD Section 221(d)(4) (Assumed) | $894,062 |
| HUD Section 221(d)(4) (Assumed) | $761,576 |
| Replacement Reserves | $248,000 |
| Solar Tax Credit Equity | $117,600 |
| Tax Credit Equity | $7,820,332 |
| **TOTAL** | **$12,341,570** |

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

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis (Rehabilitation): | $8,167,011 |
| 130% High Cost Adjustment: | No |
| Applicable Fraction: | 86.27% |
| Qualified Basis (Rehabilitation): | $7,046,049 |
| Applicable Rate: | 9.00% |
| Total Maximum Annual Federal Credit: | $634,144 |
| Total State Credit: | $2,113,004 |
| Approved Developer Fee in Project Cost: | $1,425,793 |
| Approved Developer Fee in Eligible Basis: | $1,181,500 |
| Investor/Consultant: | PNC Real Estate |
| Federal Tax Credit Factor: | $0.99999 |
| State Tax Credit Factor: | $0.69993 |

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.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

| | |
|---|---|
| Requested Unadjusted Eligible Basis: | $8,167,011 |
| Actual Eligible Basis: | $10,686,786 |
| Unadjusted Threshold Basis Limit: | $11,072,096 |
| Total Adjusted Threshold Basis Limit: | $11,848,656 |

**Adjustments to Basis Limit**

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

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

● 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

**Tie-Breaker Information**

| | |
|---|---|
| First: | **Large Family** |
| Final: | **32.302%** |

**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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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:**

Staff noted that the developer fee cost in acquisition basis was in excess of the limit required by TCAC regulation. The acquisition basis was reduced down to meet the limits required by regulation. The reduction does not affect the amount of credits recommended.

**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 Coalinga, has completed a site review of this project and strongly supports this project.

**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** |
|---|---|
| **$634,144** | **$2,113,004** |

**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 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)(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** |
| Public Funds | 20 | 20 | 20 |
| **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** |
| 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 1 mile of public library | 3 | 3 | 3 |
| Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf | 5 | 5 | 5 |
| Within 1 mile of public high school | 3 | 3 | 3 |
| Within 1 mile of a pharmacy | 2 | 2 | 2 |
| **Service Amenities** | **10** | **10** | **10** |
| 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 |
| **Sustainable Building Methods** | **5** | **5** | **5** |
| REHABILITATION | | | |
| Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0% | 5 | 5 | 5 |
| **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** | **15** | **15** | **15** |
| **Miscellaneous Federal and State Policies** | **2** | **2** | **2** |
| State Credit Substitution | 2 | 2 | 2 |
| **Total Points** | **138** | **138** | **138** |

**<u>Please Note:</u> 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.**