**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**October 19, 2016**

Parks at Fig Garden Apartments, located at 4085 N. Fruit Avenue in Fresno, requested and is being recommended for a reservation of $2,006,067 in annual federal tax credits to finance the acquisition and rehabilitation of 362 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community HousingWorks and is located in Senate District 8 and Assembly District 23.

Parks at Fig Garden Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Del Monte Pines (CA-99-812). See **Special Issues/Other Significant Information** below for additional re-syndication information.

| | | |
|---|---|---|
| **Project Number** | CA-16-940 | |
| | | |
| **Project Name** | Parks at Fig Garden Apartments | |
| Site Address: | 4085 N. Fruit Avenue | |
| | Fresno, CA 93705 | County: Fresno |
| Census Tract: | 48.020 | |

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $2,006,067 | $0 |
| Recommended: | $2,006,067 | $0 |

**Applicant Information**

| | | |
|---|---|---|
| Applicant: | Fruit Avenue Housing Associates, L.P. | |
| Contact: | Anne B. Wilson | |
| Address: | 2815 Camino del Rio South, Suite 350 | |
| | San Diego, CA 92108 | |
| Phone: | 619-450-8709 | Fax: 619-282-4145 |
| Email: | awilson@chworks.org | |

| | |
|---|---|
| General Partner(s) or Principal Owner(s): | Ashlan Ave Housing, LLC |
| General Partner Type: | Nonprofit |
| Parent Company(ies): | Community HousingWorks |
| Developer: | Community HousingWorks |
| Investor/Consultant: | California Housing Partnership Corporation |
| Management Agent: | ConAm Management |

**Project Information**

| | |
|---|---|
| Construction Type: | Acquisition & Rehabilitation |
| Total # Residential Buildings: | 51 |
| Total # of Units: | 366 |
| No. & % of Tax Credit Units: | 362 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt |
| 55-Year Use/Affordability: | Yes |
| Number of Units @ or below 50% of area median income: | 37 |
| Number of Units @ or below 60% of area median income: | 325 |

**Bond Information**

| | |
|---|---|
| Issuer: | California Statewide Communities Development Authority |
| Expected Date of Issuance: | November 23, 2016 |
| Credit Enhancement: | N/A |

**Information**

| | |
|---|---|
| Housing Type: | Non-Targeted |
| Geographic Area: | Central Valley Region |
| TCAC Project Analyst: | Zhuo Chen |

**Unit Mix**

| | |
|---|---|
| 76 | 1-Bedroom Units |
| 232 | 2-Bedroom Units |
| 58 | 3-Bedroom Units |
| 366 | Total Units |

| Unit Type & Number | | 2016 Rents Targeted % of Area Median Income | 2016 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 8 | 1 Bedroom | 50% | 50% | $553 |
| 67 | 1 Bedroom | 60% | 60% | $663 |
| 23 | 2 Bedrooms | 50% | 50% | $663 |
| 117 | 2 Bedrooms | 60% | 60% | $796 |
| 65 | 2 Bedrooms | 60% | 60% | $796 |
| 6 | 2 Bedrooms | 60% | 60% | $796 |
| 19 | 2 Bedrooms | 60% | 60% | $796 |
| 6 | 3 Bedrooms | 50% | 50% | $766 |
| 47 | 3 Bedrooms | 60% | 60% | $919 |
| 4 | 3 Bedrooms | 60% | 60% | $919 |
| 1 | 1 Bedroom | Manager’s Unit | Manager’s Unit | $620 |
| 1 | 2 Bedrooms | Manager’s Unit | Manager’s Unit | $723 |
| 1 | 2 Bedrooms | Manager’s Unit | Manager’s Unit | $0 |
| 1 | 3 Bedrooms | Manager’s Unit | Manager’s Unit | $844 |

**Project Cost Summary at Application**

| | |
|---|---|
| Land and Acquisition | $24,478,926 |
| Construction Costs | $0 |
| Rehabilitation Costs | $19,345,685 |
| Construction Contingency | $1,934,569 |
| Relocation | $114,200 |
| Architectural/Engineering | $579,700 |
| Const. Interest, Perm. Financing | $2,658,093 |
| Legal Fees, Appraisals | $210,300 |
| Reserves | $801,449 |
| Other Costs | $602,535 |
| Developer Fee | $7,034,900 |
| Commercial Costs | $456,716 |
| **Total** | **$58,217,073** |

**Project Financing**

| | |
|---|---|
| Estimated Total Project Cost: | $58,217,073 |
| Estimated Residential Project Cost: | $57,643,144 |
| Estimated Commercial Project Cost: | $573,929 |

**Residential**

| | |
|---|---|
| Construction Cost Per Square Foot: | $51 |
| Per Unit Cost: | $157,495 |
| True Cash Per Unit Cost*: | $123,631 |

**Construction Financing**

| Source | Amount |
|---|---|
| Freddie Mac - T.E. Bonds | $20,394,000 |
| Seller Carryback - T.E. Bonds | $7,397,620 |
| Income from Operations | $2,357,228 |
| Deferred Costs | $1,506,298 |
| Deferred Developer Fee | $5,120,161 |
| GP Equity | $100 |
| Tax Credit Equity | $21,441,667 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Freddie Mac - T.E. Bonds | $20,394,000 |
| Seller Carryback - T.E. Bonds | $7,397,620 |
| Income from Operations | $2,357,228 |
| Deferred Developer Fee | $5,120,161 |
| GP Equity | $100 |
| Tax Credit Equity | $22,947,964 |
| **TOTAL** | **$58,217,073** |

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

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis (Rehabilitation): | $26,358,813 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | $27,458,691 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | $34,266,457 |
| Qualified Basis (Acquisition): | $27,458,691 |
| Applicable Rate: | 3.25% |
| Maximum Annual Federal Credit, Rehabilitation: | $1,113,660 |
| Maximum Annual Federal Credit, Acquisition: | $892,407 |
| Total Maximum Annual Federal Credit: | $2,006,067 |
| Approved Developer Fee in Project Cost: | $7,034,900 |
| Approved Developer Fee in Eligible Basis: | $6,917,687 |
| Investor/Consultant: | California Housing Partnership Corporation |
| Federal Tax Credit Factor: | $1.14393 |

Per Regulation Section 10322(h)(9)(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: | $53,817,504 |
| Actual Eligible Basis: | $53,817,504 |
| Unadjusted Threshold Basis Limit: | $85,959,988 |
| Total Adjusted Threshold Basis Limit: | $94,555,987 |

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

**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 3.25% 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.

**Special Issues/Other Significant Information**

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/2000 through 12/31/2014. The existing regulatory agreement expires 12/31/2029. The existing regulatory agreement income targeting is 40% of the units at or below 60% AMI. The project shall maintain the rents and income targeting levels in the existing regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $116,304. There is a seller discount of the purchase price in the amount of $116,304. In addition, the project sets aside a Short Term Work Capitalized Replacement Reserve in the amount of $118,950. The Short Term Work Reserve Amount of $118,950 is excluded from eligible basis.

**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 |
|---|---|
| **$2,006,067** | **$0** |

**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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 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.

**Additional Conditions**

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).