CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

Deliverance Temple I & II, located at 4312 and 4600 Potrero Avenue in Richmond, requested and is being recommended for a reservation of $1,094,554 in annual federal tax credits to finance the acquisition and rehabilitation of 80 units of housing serving tenants with rents affordable to households earning 45-60% of area median income (AMI). The project will be developed by MRK Partners and is located in Senate District 9 and Assembly District 15.

Deliverance Temple I & II is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Deliverance Temple I & II (CA-01-168). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-987

Project Name Deliverance Temple I & II
Site Address: 4312 and 4600 Potrero Avenue
Richmond, CA 94804
County: Contra Costa
Census Tract: 3820.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,094,554	$0
Recommended:	$1,094,554	$0

Applicant Information
Applicant: DT Venture LP
Contact: Cathy Coler
Address: 2711 N. Sepulveda Blvd. #526
Manhattan Beach, CA 90266
Phone: (310) 545-7892 Fax: (484) 210-0671
Email: ccoler@mrkpartners.com

General Partner(s) or Principal Owner(s): DT GP LLC
Pacific Southwest Community Development Corp.
General Partner Type: Joint Venture
Parent Company(ies): Russell Family Trust; Cypress AHS LLC
Pacific Southwest Community Development Corp.
Developer: MRK Partners
Investor/Consultant: RBC Capital Markets, Inc.
Management Agent: Apartment Management Consultants, LLC

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	9
Total # of Units:	82
No. & % of Tax Credit Units:	80 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (82 units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	78
Number of Units @ or below 60% of area median income:	2

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	December 16, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital and Northern Region
TCAC Project Analyst:	Zhuo Chen

Unit Mix

8	1-Bedroom Units
36	2-Bedroom Units
38	3-Bedroom Units
82	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	45%	45%	$822
4	1 Bedroom	50%	50%	$914
16	2 Bedrooms	45%	45%	$987
18	2 Bedrooms	50%	50%	$1,097
2	2 Bedrooms	60%	60%	$1,317
16	3 Bedrooms	45%	45%	$1,140
20	3 Bedrooms	50%	50%	$1,267
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$22,608,875
Construction Costs	$0
Rehabilitation Costs	$6,041,423
Construction Contingency	$518,577
Relocation	$0
Architectural/Engineering	$0
Const. Interest, Perm. Financing	$3,101,605
Legal Fees, Appraisals	$1,010,000
Reserves	$2,578,235
Other Costs	$1,049,938
Developer Fee	$4,268,427
Commercial Costs	$0
Total	**$41,177,080**

Project Financing	
Estimated Total Project Cost:	$41,177,080
Estimated Residential Project Cost:	$41,177,080
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$82
Per Unit Cost:	$502,160
True Cash Per Unit Cost*:	$480,593

Construction Financing

Source	Amount
Jones Lang LaSalle Multifamily	$28,091,825
Deferred Developer Fee	$1,768,427
Tax Credit Equity	$11,164,453

Permanent Financing

Source	Amount
Jones Lang LaSalle Multifamily	$28,091,825
Seller Credit	$152,375
Deferred Developer Fee	$1,768,427
Tax Credit Equity	$11,164,453
TOTAL	**$41,177,080**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$7,922,820
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$23,391,297
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$10,299,666
Qualified Basis (Acquisition):	$23,391,297
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$334,337
Maximum Annual Federal Credit, Acquisition:	$760,217
Total Maximum Annual Federal Credit:	$1,094,554
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,268,427
Investor/Consultant:	RBC Capital Markets, Inc.
Federal Tax Credit Factor:	$1.02000

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:	$31,314,116
Actual Eligible Basis:	$31,314,116
Unadjusted Threshold Basis Limit:	$27,746,688
Total Adjusted Threshold Basis Limit:	$54,660,975

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: 97%

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

This project involves the substantial rehabilitation of two scattered-sites originally constructed in the 1970s in the City of Richmond.

The applicant requested and has been granted a partial waiver under TCAC Regulation Section 10325(f)(7)(K) such that the project needs only provide eight 1-bedroom units (9.7% of the project's total units) at the Deliverance Temple I site that meet the accessibility standards of Chapter 11(B) of the California Building Code, provided that the common area located on the Deliverance Temple I site shall also meet such accessibility standards.

Before closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-01-168). 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 01/01/2002 through 12/31/2016. The existing regulatory agreement expires 12/31/2056. The existing regulatory agreement income targeting is 45% at or below 45% AMI and 50% at or below 50% AMI. The newly resyndicated project shall continue to meet the deeper rents and income targeting levels in the existing regulatory agreement(s) for the duration of the existing regulatory agreement(s) and the new targeting levels in the new regulatory agreement(s) for the residual period 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 otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $152,375. In consideration of the requirement of the Short Term Work Capitalized Replacement Reserve, the seller of the project will give a credit in the amount of $152,375. As a result of the seller credit, the applicant is allowed to use the Short Term Work Reserve Amount to fund rehabilitation expenses in lieu of setting aside of a Short Term Work Capitalized Reserve and to receive eligible basis for such amount.

The project is master metered and the owner will pay for all utilities.

Local Reviewing Agency

The Local Reviewing Agency, the City of Richmond, has completed a site review of this project and takes no position as to 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
$1,094,554	**$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: None.