CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 15, 2017

King's View Estates, located at 2705 Martin Luther King Junior Blvd., in Fresno, requested and is being recommended for a reservation of $618,015 in annual federal tax credits to finance the acquisition and rehabilitation of 115 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Dawson Holdings, Inc. and is located in Senate District 14 and Assembly District 31.

King's View Estates is a re-syndication of part of an existing Low Income Housing Tax Credit (LIHTC) project, Annadale Housing Project (CA-1993-176). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-721

Project Name King's View Estates
Site Address: 2705 Martin Luther King Junior Blvd.
Fresno, CA 93706 County: Fresno
Census Tract: 10.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$618,015	$0
Recommended:	$618,015	$0

Applicant Information
Applicant: DHI King's View Associates, L.P.
Contact: Tim Fluetsch
Address: 300 Turney Street, 2nd Floor
Sausalito, CA 94965
Phone: 801-244-6658 Fax: 415-332-8391
Email: tfluetsch@d-h-i.net

General Partner(s) or Principal Owner(s): DHI King's View Associates, LLC
Central Valley Coaltion for Affordable Housing
General Partner Type: Joint Venture
Parent Company(ies): Dawson Holdings, Inc.
Central Valley Coalition for Affordable Housing
Developer: Dawson Holdings, Inc
Investor/Consultant: R4 Capital LLC
Management Agent: FPI Management

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	58	
Total # of Units:	116	
No. & % of Tax Credit Units:	115	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	
Number of Units @ or below 50% of area median income:		23
Number of Units @ or below 60% of area median income:		92

Bond Information

Issuer:	California Affordable Housing Agency
Expected Date of Issuance:	April 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Central Valley Region
TCAC Project Analyst:	Zhuo Chen

Unit Mix

116	3-Bedroom Units
116	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
23	3 Bedrooms	50%	50%	$766
92	3 Bedrooms	60%	59%	$897
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$810

Projected Lifetime Rent Benefit: $25,611,696

Project Cost Summary at Application	
Land and Acquisition	$6,000,000
Construction Costs	$0
Rehabilitation Costs	$7,637,412
Construction Contingency	$763,741
Relocation	$20,000
Architectural/Engineering	$160,000
Const. Interest, Perm. Financing	$672,590
Legal Fees, Appraisals	$196,500
Reserves	$480,977
Other Costs	$161,009
Developer Fee	$2,093,020
Commercial Costs	$0
Total	**$18,185,249**

Project Financing	
Estimated Total Project Cost:	$18,185,249
Estimated Residential Project Cost:	$18,185,249
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$68
Per Unit Cost:	$156,769
True Cash Per Unit Cost*:	$152,543

Construction Financing

Source	Amount
R4 Capital Fundings - T.E. Bonds	$9,250,000
City of Fresno Loan (Assumed)	$2,996,720
Net Operating Income	$447,822
Deferred Developer Fee	$2,068,020
Tax Credit Equity	$3,422,687

Permanent Financing

Source	Amount
R4 Capital Fundings - T.E. Bonds	$7,052,000
City of Fresno Loan (Assumed)	$2,996,720
Low Income Weatherization Program	$949,809
Low Income Weatherization Program	$800,800
Net Operating Income	$447,822
Deferred Developer Fee	$490,291
Tax Credit Equity	$5,447,807
TOTAL	**$18,185,249**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,488,422
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$5,558,065
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,634,948
Qualified Basis (Acquisition):	$5,558,065
Applicable Rate:	3.22%
Maximum Annual Federal Credit, Rehabilitation:	$439,045
Maximum Annual Federal Credit, Acquisition:	$178,970
Total Maximum Annual Federal Credit:	$618,015
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,093,020
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	$0.88150

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:	$16,046,487
Actual Eligible Basis:	$16,046,487
Unadjusted Threshold Basis Limit:	$41,930,752
Total Adjusted Threshold Basis Limit:	$50,316,902

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: 20%

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 3.22% 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

Annadale Housing Project (CA-1993-176) is an existing LIHTC project with a total of 222 low-income units, consisting of King's View Estates (116 3-bedroom units for large families) and King's View Manor (54 1-bedroom units and 52 2-bedroom units for seniors). The applicant is applying for a new reservation of tax credits for the acquisition and rehabilitation (i.e., resyndication) of the King's View Estates portion of the existing LIHTC project. To be eligible for a new reservation of tax credits, the owner(s) 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 01/01/1996 through 12/31/2010. The existing regulatory agreement expires 12/31/2050. The existing regulatory agreement income targeting is 45 units at or below 50% AMI. The income targeting for King's View Estates shall be 23 units at or below 50% AMI, and the income targeting for King's View Manor shall be 22 units at or below 50% AMI. Prior to construction closing and concurrently with the lot line readjustment associated with the ownership transfer of King's View Estates, the existing regulatory agreement (CA-1993-176) shall be amended to add the applicant or its assignee as an additional owner, which amended Regulatory Agreement shall be re-recorded on both newly readjusted parcels with updated legal description. King's View Estates and King's View Manor shall continue to collectively meet the requirements in the existing regulatory agreement until such a time when King's View Estates has been successfully resyndicated and placed-in-service and a new regulatory agreement for each portion shall at such time be recorded and the existing regulatory agreement shall simultaneously be terminated, then each portion shall only meet the requirements for its perspective new regulatory agreement for the specified duration therein.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $56,200. The $56,200 of Short Term Work amount is excluded from eligible basis.

Local Reviewing Agency

The Local Reviewing Agency, the City of Fresno, 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)

Federal Tax Credits/Annual	State Tax Credits/Total
$618,015	**$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

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 20%, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.