

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

REVISED

Millbrook Apartments, located at 7077 N. Millbrook Avenue in Fresno, requested a reservation of \$1,109,327 in annual federal tax credits but is being recommended for \$884,327 in annual federal tax credits (see **Special Issues/Other Significant Information** section below) to finance the acquisition and rehabilitation of 74 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 Thomas Safran & Associates Development, Inc. and is located in Senate District 8 and Assembly District 23.

Millbrook Apartments is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-17-074

Project Name Millbrook Apartments
Site Address: 7077 N. Millbrook Avenue
Fresno, CA 93720 County: Fresno
Census Tract: 55.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,109,327	\$0
Recommended:	\$884,327	\$0

Applicant Information

Applicant: Thomas Safran & Associates Development, Inc.
Contact: Anthony Yannatta
Address: 11812 San Vicente Blvd., Suite 600
Los Angeles, CA 90049
Phone: 310-820-4888 Fax: 310-207-6986
Email: anthony@tsahousing.com

General Partner(s) / Principal Owner(s): Housing Corporation of America
Thomas Safran & Associates
General Partner Type: Joint Venture
Parent Company(ies): Thomas Safran & Associates Development, Inc.
Developer: Thomas Safran & Associates Development, Inc.
Investor/Consultant: Wells Fargo Community Lending
Management Agent(s): Thomas Safran & Associates, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 11
 Total # of Units: 75
 No. & % of Tax Credit Units: 74 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (74units / 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 8 10 %
 40% AMI: 15 20 %
 50% AMI: 30 40 %

Information

Set-Aside: At-Risk
 Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

25 1-Bedroom Units
 25 2-Bedroom Units
 25 3-Bedroom Units

 75 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	30%	30%	\$331
2 1 Bedroom	40%	40%	\$442
13 1 Bedroom	50%	50%	\$553
8 1 Bedroom	60%	60%	\$663
3 2 Bedrooms	30%	30%	\$398
5 2 Bedrooms	40%	40%	\$531
10 2 Bedrooms	50%	50%	\$663
7 2 Bedrooms	60%	60%	\$796
3 3 Bedrooms	30%	30%	\$459
8 3 Bedrooms	40%	40%	\$613
7 3 Bedrooms	50%	50%	\$766
6 3 Bedrooms	60%	60%	\$919
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Lifetime Rent Benefit: \$15,076,248

Project Cost Summary at Application

Land and Acquisition	\$9,000,000
Construction Costs	\$0
Rehabilitation Costs	\$6,960,000
Construction Contingency	\$696,000
Relocation	\$75,000
Architectural/Engineering	\$227,500
Const. Interest, Perm. Financing	\$815,692
Legal Fees, Appraisals	\$92,735
Reserves	\$247,580
Other Costs	\$440,299
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$20,554,805

Project Financing

Estimated Total Project Cost:	\$20,554,805
Estimated Residential Project Cost:	\$20,554,805
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$101
Per Unit Cost:	\$274,064
True Cash Per Unit Cost*:	\$266,208

Construction Financing

Source	Amount
PNC Bank - Tranche A	\$5,590,222
PNC Bank - Tranche B	\$5,007,778
NOI During Construction	\$524,343
Deferred Developer Fee	\$2,000,000
Tax Credit Equity	\$7,432,462

Permanent Financing

Source	Amount
PNC Bank - Tranche A	\$5,590,222
PNC Bank - Tranche B	\$5,007,778
NOI During Construction	\$524,343
Deferred Developer Fee	\$589,192
Tax Credit Equity	\$8,843,270
TOTAL	\$20,554,805

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,486,236
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,332,107
Applicable Rate:	9.00%
Applicable Rate:	3.23%
Maximum Annual Federal Credit, Rehabilitation:	\$1,109,890
Total Maximum Annual Federal Credit:	\$884,327
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Wells Fargo Community Lending
Federal Tax Credit Factor:	\$1.00000

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:	\$9,486,236
Actual Eligible Basis:	\$18,222,236
Unadjusted Threshold Basis Limit:	\$19,648,875
Total Adjusted Threshold Basis Limit:	\$19,648,875

Adjustments to Basis Limit: None

Tie-Breaker Information

First:	Large Family
Final:	49.937%

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, 3.23%. 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

TCAC staff noted that the Applicant incorrectly reflected the purchase price of the land and improvements in the Sources and Uses Budget. TCAC Regulation Section 10327(c)(6)(B) requires that the development be underwritten using the lesser of the purchase price (\$11,250,000) or the “as is” appraised value (\$9,000,000; of which \$680,000 is allocated to the value of the land and \$8,320,000 is allocated to the improvements). In this case the \$9,000,000 appraised value is less than the purchase price, resulting in a \$2,250,000 decrease to the tax credit equity amount (the difference between the purchase price and appraised value). The maximum annual federal credit necessary for feasibility has also been reduced to

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, 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) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$884,327	\$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 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
Within ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ¾ mile of public park or community center open to general public	2	2	2
INSERT APPLICABLE PUBLIC SCHOOL LANGUAGE	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
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
Smoke Free Residence	2	2	2
Total Points	138	138	138

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.