

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Oak Grove, located at 595 Bigger Street in Parlier, requested and is being recommended for a reservation of \$1,528,675 in annual federal tax credits and \$5,095,585 in total state tax credits to finance the new construction of 55 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 the Housing Authority of Fresno County and will be located in Senate District 14 and Assembly District 31.

The project will be receiving rental assistance in the form of HUD RAD Project Based Rental Assistance.

Project Number CA-17-144

Project Name Oak Grove

Site Address: 595 Bigger Street
Parlier, CA 93648 County: Fresno

Census Tract: 85.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,528,675	\$5,095,585
Recommended:	\$1,528,675	\$5,095,585

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Silvercrest Inc.
Contact: Preston Prince
Address: 1331 Fulton Mall
Fresno, CA 93721
Phone: 559-443-8475 Fax: 559-445-8981
Email: pprince@fresnohousing.org

General Partner(s) / Principal Owner(s): Silvercrest Inc.
Housing Authority of Fresno County

General Partner Type: Nonprofit

Parent Company(ies): Silvercrest Inc.
Housing Authority of Fresno County

Developer: Housing Authority of Fresno County

Investor/Consultant: California Housing Partnership

Management Agent(s): GSF Properties Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 56
 No. & % of Tax Credit Units: 55 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD RAD Project Based Rental Assistance (50 Units - 90%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 11 20 %
 40% AMI: 14 25 %
 45% AMI: 11 20 %

Information

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

Unit Mix

16 2-Bedroom Units
 28 3-Bedroom Units
 12 4-Bedroom Units

 56 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 2 Bedrooms	30%	30%	\$405
4 3 Bedrooms	30%	30%	\$467
3 4 Bedrooms	30%	30%	\$521
5 2 Bedrooms	40%	40%	\$540
5 3 Bedrooms	40%	40%	\$623
4 4 Bedrooms	40%	40%	\$695
4 2 Bedrooms	45%	45%	\$607
4 3 Bedrooms	45%	45%	\$700
3 4 Bedrooms	45%	45%	\$781
2 2 Bedrooms	60%	60%	\$810
1 2 Bedrooms	60%	47%	\$634
11 3 Bedrooms	60%	57%	\$881
3 3 Bedrooms	60%	60%	\$934
2 4 Bedrooms	60%	59%	\$1,031
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$12,113,640

Project Cost Summary at Application

Land and Acquisition	\$2,640,000
Construction Costs	\$14,260,500
Rehabilitation Costs	\$0
Construction Contingency	\$737,150
Relocation	\$700,000
Architectural/Engineering	\$550,000
Const. Interest, Perm. Financing	\$1,083,570
Legal Fees, Appraisals	\$142,000
Reserves	\$236,842
Other Costs	\$951,848
Developer Fee	\$2,461,860
Commercial Costs	\$0
Total	\$23,763,770

Project Financing

Estimated Total Project Cost:	\$23,763,770
Estimated Residential Project Cost:	\$23,763,770
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$212
Per Unit Cost:	\$424,353
True Cash Per Unit Cost*:	\$382,567

Construction Financing

Source	Amount
US Bank	\$15,381,506
Seller Carryback Loan	\$2,340,000
Housing Relinquished Fund Corp.	\$1,800,000
Housing Authority of Fresno County	\$542,350
AHP	\$550,000
Deferred Cost	\$1,450,972
Tax Credit Equity	\$1,698,942

Permanent Financing

Source	Amount
US Bank - Tranche B	\$462,000
Seller Carryback Loan	\$2,340,000
Housing Relinquished Fund Corp.	\$1,800,000
Housing Authority of Fresno County	\$542,350
AHP	\$550,000
Tax Credit Equity	\$18,069,420
TOTAL	\$23,763,770

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,985,283
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$16,985,283
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,528,675
Total State Credit:	\$5,095,585
Approved Developer Fee in Project Cost:	\$2,461,860
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.91384
State Tax Credit Factor:	\$0.80458

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$16,985,283
Actual Eligible Basis:	\$18,501,786
Unadjusted Threshold Basis Limit:	\$17,431,068
Total Adjusted Threshold Basis Limit:	\$21,001,543

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	30.175%

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: None.

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 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
\$1,528,675	\$5,095,585

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
Cost Efficiency	20	2	2
Public Funds	20	18	18
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 ½ mile of transit (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 medical clinic or hospital	3	3	3
Within 1 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 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	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

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.