

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 First Round
June 10, 2015

Project Number CA-15-073

Project Name Garden Valley Homes 1 Apartments
Site Address: 22701 Davidson Drive
San Joaquin, CA 93660 County: Fresno
Census Tract: 82.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$573,973	\$0
Recommended:	\$573,973	\$0

Applicant Information

Applicant: DFA Development LLC
Contact: Daniel Fred
Address: P.O. Box 45
Novato, CA 94948
Phone: 415-898-1750 Fax: 415-898-0769
Email: dannyfred@verizon.net

General Partner(s) / Principal Owner(s): Riverside Charitable Corporation
DFA Development LLC
Pacific Development Group
General Partner Type: Joint Venture
Parent Company(ies): Riverside Charitable Corporation
DFA Development LLC
Pacific Development Group
Developer: DFA Development, LLC
Riverside Charitable Corporation
Pacific Development Group
Investor/Consultant: PNC Real Estate
Management Agent(s): DKD Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 36
 Total # of Units: 70
 No. & % of Tax Credit Units: 68 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 515 / RHS 521 Rental Subsidy (68 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 45% AMI: 17 25 %
 50% AMI: 28 40 %

Information

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

Unit Mix

12 1-Bedroom Units
 24 2-Bedroom Units
 26 3-Bedroom Units
 8 4-Bedroom Units

 70 Total Units

Unit Type & Number	2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	45%	45%	\$461
4 1 Bedroom	50%	50%	\$513
6 1 Bedroom	60%	60%	\$615
3 2 Bedrooms	30%	30%	\$369
6 2 Bedrooms	45%	45%	\$554
10 2 Bedrooms	50%	50%	\$616
4 2 Bedrooms	60%	60%	\$739
3 3 Bedrooms	30%	30%	\$426
7 3 Bedrooms	45%	45%	\$640
11 3 Bedrooms	50%	50%	\$711
5 3 Bedrooms	60%	60%	\$853
1 4 Bedrooms	30%	30%	\$476
2 4 Bedrooms	45%	45%	\$714
3 4 Bedrooms	50%	50%	\$793
1 4 Bedrooms	60%	60%	\$952
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,200,000
Construction Costs	\$0
Rehabilitation Costs	\$4,808,939
Construction Contingency	\$530,894
Relocation	\$80,000
Architectural/Engineering	\$110,000
Construction Interest, Perm Financing	\$375,150
Legal Fees, Appraisals	\$160,500
Reserves	\$155,000
Other Costs	\$203,100
Developer Fee	\$1,180,482
Commercial Costs	\$0
Total	\$9,804,065

Project Financing

Estimated Total Project Cost:	\$9,804,065
Estimated Residential Project Cost:	\$9,804,065

Residential

Construction Cost Per Square Foot:	\$62
Per Unit Cost:	\$140,058

Construction Financing

Source	Amount
PNC Bank	\$7,200,000
USDA RHS 515	\$9,804,065
Post Rehab Sources	\$802,481
Tax Credit Equity	\$826,438

Permanent Financing

Source	Amount
Bonneville - USDA RHS 538	\$3,050,000
USDA RHS 515	\$975,146
Deferred Developer Fee	\$187,251
Solar Tax Credit Equity	\$82,080
Tax Credit Equity	\$5,509,588
TOTAL	\$9,804,065

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,741,451
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,463,886
Applicable Rate:	7.69%
Maximum Annual Federal Credit:	\$573,973
Approved Developer Fee in Project Cost:	\$1,180,482
Approved Developer Fee in Eligible Basis:	\$985,982
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	\$0.95990

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:	\$5,741,451
Actual Eligible Basis:	\$8,855,865
Unadjusted Threshold Basis Limit:	\$15,223,928
Total Adjusted Threshold Basis Limit:	\$15,223,928

Adjustments to Basis Limit: None

Tie-Breaker Information

First:	Large Family
Second:	26.246%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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:

Staff noted the developer fee included is acquisition eligible basis was in excess of the limit required by regulation. The basis was adjusted accordingly and reduced by \$194,500 in order to meet the limits required by regulation. The change did not affect the amount of credits recommended.

The applicant’s estimate of contractor profit, overhead and general requirement costs slightly exceeds the limits established by regulation. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit will not be allowed.

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
\$573,973	\$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 ten 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	11	11
Public Funds	20	9	9
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 regular bus stop (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	2	2	2
Within 1 mile of public library	2	2	2
Within 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within ¾ mile of an elementary school	2	2	2
Within 1 mile of medical clinic or hospital	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Additional rehab measures: PV offsets 50% of common area load	3	3	3
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	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.