CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 17, 2018
REVISED

Bigby Villa Apartments, located at 1258 East Lorena Avenue in Fresno, requested and is being recommended for a reservation of $1,214,293 in annual federal tax credits to finance the acquisition and rehabilitation of 178 units of housing serving tenants with rents affordable to households earning 45-60% of area median income (AMI). The project will be developed by Gung Ho - Partners, LLC and is located in Senate District 14 and Assembly District 31.

Bigby Villa Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Bigby Villa Apartments (CA-2001-058). See **Resyndication and Resyndication Transfer Event** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-18-707

Project Name Bigby Villa Apartments
Site Address: 1258 East Lorena Avenue
Fresno, CA 93706 County: Fresno
Census Tract: 9.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,214,293	$0
Recommended:	$1,214,293	$0

Applicant Information

Applicant:	Reliant - Valley, LP
Contact:	Joseph Moreno
Address:	601 California Street, Suite 1150 San Francisco, CA 94108
Phone:	415-692-0534
Email:	jmoreno@reliantgroup.com

General Partner(s) or Principal Owner(s):	Gung Ho - Valley, LLC Rainbow Housing Assistance Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	Gung Ho Partners, LLC Rainbow Housing Assistance Corporation
Developer:	Gung Ho - Partners, LLC
Investor/Consultant:	R4 Capital
Management Agent:	FPI Management Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 89
Total # of Units: 180
No. & % of Tax Credit Units: 178 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (177 Units - 99%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 169
Number of Units @ or below 60% of area median income: 9

Bond Information

Issuer: California Public Finance Authority
Expected Date of Issuance: March 22, 2018

Information

Housing Type: Non-Targeted
Geographic Area: Central Valley Region
TCAC Project Analyst: Zhuo Chen

Unit Mix

54	2-Bedroom Units
66	3-Bedroom Units
41	4-Bedroom Units
19	5-Bedroom Units
180	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
24	2 Bedrooms	45%	45%	$607
26	2 Bedrooms	50%	50%	$675
3	2 Bedrooms	60%	60%	$810
29	3 Bedrooms	45%	45%	$700
32	3 Bedrooms	50%	50%	$778
4	3 Bedrooms	60%	60%	$934
18	4 Bedrooms	45%	45%	$781
21	4 Bedrooms	50%	50%	$868
1	4 Bedrooms	60%	60%	$1,042
1	4 Bedrooms	60%	60%	$1,042
9	5 Bedrooms	45%	45%	$862
10	5 Bedrooms	50%	50%	$958
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $95,738,280

Project Cost Summary at Application

Land and Acquisition	$21,389,081
Construction Costs	$0
Rehabilitation Costs	$9,062,907
Construction Contingency	$906,291
Relocation	$135,713
Architectural/Engineering	$132,000
Const. Interest, Perm. Financing	$1,956,040
Legal Fees, Appraisals	$51,600
Reserves	$596,780
Other Costs	$295,266
Developer Fee	$4,392,573
Commercial Costs	$0
Total	**$38,918,251**

Residential

Construction Cost Per Square Foot:	$44
Per Unit Cost:	$216,213
True Cash Per Unit Cost*:	$210,032

Construction Financing

Source	Amount
Pillar Financial - T.E. Bonds	$20,370,000
Reliant CAP VIII - T.E. Bonds	$4,000,000
Seller Credit	$80,588
Tax Credit Equity	$8,329,217

Permanent Financing

Source	Amount
Pillar Financial - T.E. Bonds	$20,370,000
Reliant CAP VIII - T.E. Bonds	$4,000,000
Seller Credit	$80,588
Net Operation Income	$1,456,209
Deferred Developer Fee	$1,112,573
Tax Credit Equity	$11,898,881
TOTAL	**$38,918,251**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,266,366
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$21,490,612
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$15,946,276
Qualified Basis (Acquisition):	$21,490,612
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$515,848
Maximum Annual Federal Credit, Acquisition:	$698,445
Total Maximum Annual Federal Credit:	$1,214,293
Approved Developer Fee (in Project Cost & Eligible Basis)	$4,392,573
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.97990

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$33,756,978
Actual Eligible Basis:	$33,756,978
Unadjusted Threshold Basis Limit:	$63,268,872
Total Adjusted Threshold Basis Limit:	$122,741,612

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: 94%

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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-058). 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. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-058) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered"). The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

The project is a resyndication where the existing regulatory agreement requires service amenities of after school programs, educational classes, and substance abuse counseling. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

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 $80,588. In consideration of requirement of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least $80,588. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency

The Local Reviewing Agency, the City of Fresno, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.