

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2008 Waiting List
December 11, 2008**

Project Number CA-2008-095
Project Name Ontario Senior Apartments
Site Address: 201 East B Street
Ontario, CA 91764 **County:** San Bernardino
Census Tract: 14.0

Applicant Information

Applicant: Ontario Senior Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: 949-660-7272 **Fax:** 949-660-7273
Email: fcardone@related.com
General Partners(s)Type: For Profit

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: Inland Empire

Eligible Basis

Requested: \$14,421,918
Actual: \$17,905,197
Maximum Permitted: \$14,421,918

Adjustments to Threshold Basis Limit:

Parking Beneath Residential Units
Local Impact Fees
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
95% of Upper Floor Units are Elevator-Serviced

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,469,882	\$0
Recommended:	\$1,469,882*	\$0

* The total federal tax credit allocation is \$1,469,882, with \$1,127,309 deducted from the 2008 ceiling. Pursuant to regulation, the remaining \$342,573 in federal credit was committed to the project from the 2009 tax credit ceiling.

Project Information

Construction Type: New Construction
Federal Subsidy: HOME
Total # of Units: 76
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
 % & No. of Tax Credit Units: 100% - 75 units
 Breakdown by %: 10% @ 30%, 20% @ 40%, 40% @ 50%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points	20	20	20
Credit Reduction	20	2	2
Public Funds	18	18	18
<i>Owner / Management Characteristics</i> Maximum of 9 points	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
<i>Housing Needs</i> Maximum of 10 points	10	10	10
<i>Site Amenities</i> Maximum of 15 points	15	15	15
Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
Within ¼ mile of public library	3	3	3
Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
Senior project within ¼ mile of daily operated senior center or facility for seniors	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum of 10 points	10	10	10
Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
Direct client services where a contract is in place at the time of application	5	5	5
<i>Neighborhood Revitalization</i> Maximum of 9 points	9	9	9
<i>Sustainable Building Methods</i> Maximum of 8 points	8	8	8
Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Formaldehyde free cabinets, countertops and shelving	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Formaldehyde-free insulation	1	1	1
<i>Lowest Income</i> Maximum of 52 points	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum of 20 points	20	20	20
<i>State credit substitution</i> Maximum of 2 points	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**
 First: Housing Type **Seniors**
 Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**
 Third: Calculated Ratio per Regulation 10325(c)(12) **84.785%**

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 One-Bedroom Units	30%	\$374
13 One-Bedroom Units	40%	\$499
25 One-Bedroom Units	50%	\$624
16 One-Bedroom Units	60%	\$749
2 Two-Bedroom Units	30%	\$448
3 Two-Bedroom Units	40%	\$599
6 Two-Bedroom Units	50%	\$748
4 Two-Bedroom Units	60%	\$898
1 One-Bedroom Unit	Manager's Unit	\$0

The general partner or principal owner is the Related/Ontario Senior Development Co., LLC.

The project developer is the Related Companies of California.

The management agent is Related Management Company.

The market analyst is APT Market Research.

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

Project Financing

Estimated Total Project Cost: \$19,295,447 Per Unit Cost: \$253,887 Construction Cost Per Sq. Foot: \$251

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank	\$15,015,459	Ontario Housing Authority	\$4,155,500
Ontario Housing Authority	\$2,285,378	CCRC	\$1,850,000
Accrued interest on loan	\$62,334	Accrued interest on loan	\$62,333
Deferred Developer Fee	\$1,800,000	Investor Equity	\$13,227,614
Investor Equity	\$132,276	TOTAL	\$19,295,447

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,421,918
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$374,970
Qualified Basis:	\$18,373,524
Applicable Rate:	8.0%
Total Maximum Annual Federal Credit:	\$1,469,882
Approved Developer Fee in Project Cost:	\$1,800,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor: Union Bank of CA	\$0.90

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Applicant requests and staff recommends annual federal credits of \$1,469,882 based on a qualified basis of \$18,373,524 and a funding shortfall of \$13,227,614.

Cost Analysis and Line Item Review

The requested eligible basis \$14,421,918 is equal to TCAC's threshold basis limit \$14,421,918. The basis limit was increased by the following extraordinary features: projects where 95% of upper floor units are elevator-serviced, projects that are required to provide parking beneath the residential units, local development impact fees, and for projects with 3 or more energy efficiency/resource conservation/indoor air quality items (using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, using an irrigation system where only reclaimed water and/or captured rainwater is utilized, and using CRI Green Label Plus Carpet or no carpet in all bedrooms). 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 8.0% 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: Preliminary architectural drawings did not specify the number of washers and dryers. Please ensure that the laundry facility is completed in accordance with TCAC regulation.

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.

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/Annual	State/Total
\$1,469,882*	\$0

** The total federal tax credit allocation is \$1,469,882, with \$1,127,309 deducted from the 2008 ceiling. Pursuant to regulation, the remaining \$342,573 in federal credit was committed to the project from the 2009 tax credit ceiling.*

Standard Conditions

An application for a carryover allocation must be submitted by **December 18, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation

application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit must be paid by cashier's check by December 18, 2008. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

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)(8) 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)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **May 11, 2008**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Gina Ferguson