

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 Second Round

September 22, 2010

Project Number CA-2010-140

Project Name The Vineyards at Menifee
Site Address: NE corner of Winter Hawk Road and Newport Road
Menifee, CA 92566 County: Riverside
Census Tract: 427.080

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,582,433	\$0
Recommended:	\$1,582,433	\$0

Applicant Information

Applicant: Menifee Vineyards Limited Partnership
Contact: Karen Merritt
Address: P.O. Box 3958
Palm Desert, CA 92261
Phone: 760.568.1048 Fax: 760.568.9761
Email: kmerritt@pddc.net

General partner(s) or principal owner(s): Palm Desert Development Company
Housing Corporation of America
General Partner Type: Joint Venture
Developer: D.L. Horn & Associates, LLC
Investor/Consultant: Boston Capital
Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 4
Total # of Units: 81
No. & % of Tax Credit Units: 80 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 10 %
35% AMI: 10 %
40% AMI: 10 %
45% AMI: 10 %
50% AMI: 15 %
55% AMI (Rural): 20 %

Information

Set-Aside: Rural
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Gina Ferguson

Unit Mix

64 1-Bedroom Units
 17 2-Bedroom Units

 81 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	30%	21%	\$257
8 1 Bedroom	35%	21%	\$257
8 1 Bedroom	40%	40%	\$487
8 1 Bedroom	45%	45%	\$548
8 1 Bedroom	50%	50%	\$609
10 1 Bedroom	55%	55%	\$670
16 1 Bedroom	60%	60%	\$731
1 2 Bedrooms	30%	18%	\$257
1 2 Bedrooms	30%	30%	\$438
7 2 Bedrooms	50%	50%	\$731
7 2 Bedrooms	55%	55%	\$804
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$23,991,247 Construction Cost Per Square Foot: \$193
 Per Unit Cost: \$296,188

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Farmers & Merchants Bank	\$10,880,282	Farmers & Merchants Bank	\$2,737,805
Riverside County RDA - Land Grant	\$2,000,000	Riverside County RDA - Land Grant	\$2,000,000
Riverside County RDA Loan	\$2,700,000	Riverside County RDA Loan	\$3,600,000
Riverside County EDA - HOME	\$825,000	Riverside County EDA - HOME	\$1,100,000
Riverside County - Waived Fees	\$571,374	Riverside County - Waived Fees	\$571,374
CalHFA - MHSA	\$1,500,000	CalHFA - MHSA	\$1,500,000
Deferred Developer Fee	\$1,812,068	Deferred Developer Fee	\$140,325
Tax Credit Equity	\$3,702,523	Tax Credit Equity	\$12,341,743
		TOTAL	\$23,991,247

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,525,072
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,582,594
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,582,433
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.77992

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:	\$13,525,072
Actual Eligible Basis:	\$19,977,951
Unadjusted Threshold Basis Limit:	\$13,282,592
Total Adjusted Threshold Basis Limit:	\$18,994,064

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects exceeding Title 24 by at least 15%
- Projects using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used
- Projects installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	71.552%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found most fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses were below the minimum operating expenses established in the Regulations; the project pro forma shows a positive cash flow from year one. The annual operating expenses were below of the minimum established in the Regulations by a minimal amount and should be corrected either by Carryover Allocation or Final Reservation, with the owner submitting documentation indicating that the operating expense minimum has been met. Staff has calculated federal tax credits based on 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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:

Please see above **Cost Analysis and Line Item Review** for minimum operating expense requirements.

The project has an MHSA operating subsidy through CalHFA with 15 units reserved for MHSA households.

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
\$1,582,433	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. 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
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 1,500 ft of a regular bus stop or rapid transit system stop	3	3	3
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
Sustainable Building Methods	8	8	8
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Energy star rated ceiling fans in bedroom/living room; whole house fan	2	2	2
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
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
State Credit Substitution	2	2	2
Total Points	146	146	146

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.