

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 Second Round

September 22, 2010

Project Number CA-2010-180

Project Name Colusa Garden Apartments
Site Address: 1319 Wescott Road
Colusa, CA 95932 County: Colusa
Census Tract: 2.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$441,286	\$0
Recommended:	\$441,286	\$0

Applicant Information

Applicant: Wescott Road Partners, LP
Contact: Michael Boettger
Address: 2020 West Kettleman Lane
Lodi, CA 95242
Phone: (209) 370-1557 **Fax:** (209) 370-1572
Email: mboettger@themichaelsorg.com

General partner(s) or principal owner(s): Wescott-Michaels, LLC
Community Revitalization and Development Corporation
General Partner Type: Joint Venture
Developer: The Michaels Development Company I, LP
Investor/Consultant: Prestige Affordable Housing Equity Partners, LLC
Management Agent: Interstate Realty Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 96
No. & % of Tax Credit Units: 94 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: USDA/RHS-515
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 10 %
35% AMI: 10 %
40% AMI: 10 %
50% AMI: 25 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: N/A
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

32 1-Bedroom Units
 64 2-Bedroom Units

 96 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>
3 1 Bedroom	30%	30%	\$317
3 1 Bedroom	35%	35%	\$370
3 1 Bedroom	40%	40%	\$423
9 1 Bedroom	50%	50%	\$528
14 1 Bedroom	60%	61%	\$634
7 2 Bedrooms	30%	30%	\$380
7 2 Bedrooms	35%	35%	\$443
7 2 Bedrooms	40%	40%	\$507
15 2 Bedrooms	50%	50%	\$633
26 2 Bedrooms	60%	58%	\$727
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$6,658,110 Construction Cost Per Square Foot: \$32
 Per Unit Cost: \$69,355

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Continental Mortgage Corporation	\$2,500,000	USDA - RD	\$2,113,773
USDA - RD	\$2,113,773	Bonneville Multifamily Capital	\$1,216,149
Existing Reserves	\$76,613	Existing Reserves	\$76,613
Deferred Developer Fee	\$771,231	Deferred Developer Fees	\$30,187
Investor Equity	\$1,196,493	Tax Credit Equity	\$3,221,388
		TOTAL	\$6,658,110

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,426,166
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,188,960
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,454,016
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,188,960
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$400,861
Maximum Annual Federal Credit, Acquisition:	\$40,425
Total Maximum Annual Federal Credit:	\$441,286
Approved Developer Fee in Project Cost	\$771,231
Approved Developer Fee in Eligible Basis:	\$561,431
Investor/Consultant:	Prestige Affordable Housing Equity Partners, LLC
Federal Tax Credit Factor:	\$0.73000

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:	\$4,615,126
Actual Eligible Basis:	\$5,702,974
Unadjusted Threshold Basis Limit:	\$17,236,544
Total Adjusted Threshold Basis Limit:	\$17,926,006

Adjustments to Basis Limit:

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

- Projects recycling at least 75% of the construction and demolition waste
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Tie-Breaker Information

First:	At-Risk
Second:	62.431%

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, except for the developer fee included in the acquisition basis as explained in the Special Issues section below. 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 9.00% 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:

Staff noted that the 3-month operating reserve was short of the minimum established in the Regulations by a minimal amount and will require that an adjustment be made in the updated application pages either by Carryover Allocation or Final Reservation showing that the minimum was met.

The developer fee included in the acquisition basis shown in the application exceeded the limit established by regulation (5% of the acquisition eligible basis subtotal) by \$209,800. Staff adjusted accordingly.

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
\$441,286	\$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 500 ft of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	0
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Large Family proj. w/i ½ mile of public school project children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
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
Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable	2	2	2
Formaldehyde free cabinets, countertops and shelving	1	1	1
No-VOC interior paint	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Construction Indoor Air Quality Management plan	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.