

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-217

Project Name Fitzpatrick Townhomes
 Site Address: Intersection of Fitzpatrick Road and Richmar Avenue
 San Marcos, CA 92069 County: San Diego
 Census Tract: 200.210

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,840,916	\$0
Recommended:	\$1,840,916	\$0

Applicant Information

Applicant: Fitzpatrick Townhomes, LP
 Contact: Todd Cottle
 Address: 14211 Yorba St., Suite 200
 Tustin, CA 92780
 Phone: (714) 288-7600 Fax: (866) 570-0728
 Email: todd@c-cdev.com

General partner(s) or principal owner(s): C&C Parkview, LLC & Hitzke Development, Inc.
 Townspeople, Inc.
 General Partner Type: Joint Venture
 Developer: C&C/Hitzke/Townspeople
 Investor: National Equity Fund, Inc.
 Management Agent: Advanced Property Services, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 20
 Total # of Units: 78
 No. & % of Tax Credit Units: 77 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	8	10 %
35% AMI:	8	10 %
40% AMI:	8	10 %
50% AMI:	20	25 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

52 2-Bedroom Units
 26 3-Bedroom Units

 78 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 2 Bedrooms	30%	30%	\$542
3 3 Bedrooms	30%	30%	\$626
8 2 Bedrooms	35%	35%	\$632
8 2 Bedrooms	40%	40%	\$723
20 2 Bedrooms	50%	50%	\$903
10 2 Bedrooms	60%	60%	\$1,084
23 3 Bedrooms	60%	60%	\$1,253
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$350

Project Financing

Estimated Total Project Cost: \$24,176,324
 Estimated Residential Project Cost: \$24,176,324

Residential

Construction Cost Per Square Foot: \$149
 Per Unit Cost: \$309,953

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$17,300,000
LISC Grant	\$425,000
General Partner Equity	\$100
Solar Credit Equity	\$14,441
Deferred Costs	\$239,870
Deferred Developer Fee (Construction)	\$1,032,389
Deferred Developer Fee	\$967,611
Tax Credit Equity	\$4,196,913

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$4,883,100
LISC Grant	\$425,000
General Partner Equity	\$100
Solar Credit Equity	\$59,694
Deferred Developer Fee	\$967,611
Tax Credit Equity	\$17,840,819
TOTAL	\$24,176,324

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,881,192
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,545,550
Applicable Rate:	7.50%
Maximum Annual Federal Credit:	\$1,840,916
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$0.96913

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:	\$18,881,192
Actual Eligible Basis:	\$18,881,192
Unadjusted Threshold Basis Limit:	\$19,989,632
Total Adjusted Threshold Basis Limit:	\$23,650,906

Adjustments to Basis Limit:

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

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Community gardens of at least 60 square feet per unit
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	8.801%

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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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: TCAC staff was unable to identify if washers/dryers are available in unit or the number of washers/dryers available in the community laundry facility. Per Regulation Section 10325(g)(1)(G) adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 10 units. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each unit, subject to the further provision that gas connections for dryers shall be provided where gas is otherwise available at the property.

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, the City of San Marcos, has completed a site review of this project and takes no position on this project.

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
\$1,840,916	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed 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
Cost Efficiency	20	19	19
Public Funds	20	1	1
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 transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Large Family proj. w/i 1/2 mile of a public middle school project children m	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
Develop project to requirements of: LEED Silver	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.