

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

Project Number CA-12-225

Project Name Montclair 4 Special Needs
 Site Address: 4115 Kingsley Street
 Montclair, CA 91763 County: San Bernardino
 Census Tract: 3.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$360,137	\$0
Recommended:	\$343,845	\$0

Applicant Information

Applicant: National Community Renaissance of California
 Contact: Richard J. Whittingham
 Address: 9065 Haven Avenue, Suite 100
 Rancho Cucamonga, CA 91730
 Phone: (909) 483-2444 Fax: (909) 483-2448
 Email: rwhittingham@nationalcore.org

General partner(s) or principal owner(s): National Community Renaissance of California
 General Partner Type: Nonprofit
 Developer: National Community Renaissance of California
 Investor: Raymond James
 Management Agent: United Cerebral Palsy of Los Angeles

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 18
 No. & % of Tax Credit Units: 17 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 811 (17 Units - 100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.71%
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	8	45 %
45% AMI:	3	15 %
50% AMI:	6	35 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Persons with physical, mental, development disabilities
 % of Special Need Units: 17 units 100%
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

17 1-Bedroom Units
 1 2-Bedroom Units

 18 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>
8 1 Bedroom	30%	20%	\$249
3 1 Bedroom	45%	20%	\$249
6 1 Bedroom	50%	20%	\$249
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$6,452,400
 Estimated Residential Project Cost: \$6,452,400

Residential

Construction Cost Per Square Foot: \$242
 Per Unit Cost: \$358,467

Construction Financing

<u>Source</u>	<u>Amount</u>
HUD Section 811	\$2,869,900
AHP	\$170,000
Developer Inclusionary Loan	\$165,000
Tax Credit Equity	\$2,260,145

Permanent Financing

<u>Source</u>	<u>Amount</u>
HUD Section 811	\$2,869,900
AHP	\$170,000
Developer Inclusionary Loan	\$165,000
Tax Credit Equity	\$3,247,500
TOTAL	\$6,452,400

Determination of Credit Amount(s)

Requested Eligible Basis:	\$4,059,051
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$5,276,766
Applicable Rate:	7.50%
Maximum Annual Federal Credit:	\$343,845
Approved Developer Fee (in Project Cost & Eligible Basis):	\$661,132
Investor:	Raymond James
Federal Tax Credit Factor:	\$0.94447

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:	\$4,059,051
Actual Eligible Basis:	\$5,068,677
Unadjusted Threshold Basis Limit:	\$2,897,856
Total Adjusted Threshold Basis Limit:	\$4,059,052

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 100% of Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	67.155%

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: The developer fee in the sources & uses budget exceeds the TCAC maximum established in Regulation Section 10327(c)(2). Staff reduced the developer fee to meet TCAC maximums and reduced the tax credit amount accordingly.

The project includes a land donation from the City of Montclair Redevelopment Agency. The property is currently owned by the Agency who is requesting it be transferred to the Montclair Housing Authority as successor agency. According to the Agency this process is being disputed by the Department of Finance, the applicant and the Agency are requesting to discuss a resolution to the matter. The award of tax credits by TCAC is conditional on this dispute resulting in an outcome identical to the site control demonstrated in the application.

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 Montclair, has completed a site review of this project and strongly supports 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
\$343,845	\$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
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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
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
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE/100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE/360 bdrms	5	5	5
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: 25%	5	5	5
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
Universal Design	1	1	1
Smoke Free Residence	1	1	1
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.