

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 First Round
June 11, 2014

Project Number CA-14-003

Project Name Siena Apartments
 Site Address: 7807 and 7833 Juniper Avenue
 Fontana, CA 92236 County: San Bernardino
 Census Tract: 28.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,257,270	\$0
Recommended:	\$1,257,270	\$0

Applicant Information

Applicant: Fontana Siena Partners Limited Partnership
 Contact: Todd Deutscher
 Address: 15635 Alton Parkway, Ste. 375
 Irvine, CA 92618
 Phone: 949-878-9366 Fax: 949-878-9366
 Email: tdeutscher@palmcommunities.com

General Partner(s)/Principal Owner(s): PC Fontana II Developers LLC
 Housing Corporation of America
 General Partner Type: Joint Venture
 Parent Company(ies): Palm Communities
 Housing Corporation of America
 Developer: D.L. Horn & Associates
 Investor/Consultant: WNC
 Management Agent(s): ConAm Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 55
 No. & % of Tax Credit Units: 54 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME/NSP3
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	6	10 %
35% AMI:	6	10 %
40% AMI:	6	10 %
45% AMI:	6	10 %
50% AMI:	6	10 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

14 1-Bedroom Units
 24 2-Bedroom Units
 17 3-Bedroom Units

 55 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	23%	\$257
6 1 Bedroom	35%	23%	\$257
6 1 Bedroom	40%	23%	\$257
1 1 Bedroom	45%	23%	\$257
2 2 Bedrooms	30%	30%	\$410
1 2 Bedrooms	30%	19%	\$257
5 2 Bedrooms	45%	45%	\$615
4 2 Bedrooms	50%	50%	\$683
11 2 Bedrooms	60%	60%	\$820
2 3 Bedrooms	30%	30%	\$473
2 3 Bedrooms	50%	50%	\$789
13 3 Bedrooms	60%	60%	\$947
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$20,261,020
 Estimated Residential Project Cost: \$20,261,020

Residential

Construction Cost Per Square Foot: \$151
 Per Unit Cost: \$368,382

Construction Financing

<u>Source</u>	<u>Amount</u>
Farmers & Merchants Bank	#####
City of Fontana HOME	\$2,150,000
County of San Bernardino EDA/NSP3	\$2,700,000
CalHFA MHSA	\$1,750,000
Fee Waivers	\$381,639
Deferred Developer Fee	\$996,334
Tax Credit Equity	\$1,810,288

Permanent Financing

<u>Source</u>	<u>Amount</u>
Farmers & Merchants Bank	\$810,779
City of Fontana HOME	\$2,550,000
County of San Bernardino EDA/NSP3	\$2,700,000
CalHFA MHSA	\$1,750,000
Fee Waivers	\$381,639
Deferred Developer Fee	\$17
Tax Credit Equity	\$12,068,585
TOTAL	\$20,261,020

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,560,144
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,328,187
Applicable Rate:	7.70%
Maximum Annual Federal Credit:	\$1,257,270
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$0.95990

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:	\$12,560,144
Actual Eligible Basis:	\$15,923,507
Unadjusted Threshold Basis Limit:	\$11,656,774
Total Adjusted Threshold Basis Limit:	\$15,383,405

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	51.632%

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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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 project has a MHSA capitalized operating subsidy for 20 years that covers 15 of the special needs units serving homeless/at-risk of homelessness tenants with mental disabilities.

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 Fontana, 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
\$1,257,270	\$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 regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
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	0
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	0	4
Within ¼ mile of a public elementary school resident children may attend	3	3	3
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
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/year	5	5	5
After school program for school age children, minimum of 10 hrs/week	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint	5	5	5
Develop project to requirements of: GreenPoint 125	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
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.