CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 12, 2014

Project Number CA-14-898

Project Name East Cliff Village
Site Address: 1635 Tremont Drive
Unincorporated, CA 95062 County: Santa Cruz
Census Tract: 1215.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$701,375	$0
Recommended:	$701,375	$0

Applicant Information

Applicant: East Cliff VOA Affordable Housing, L.P.
Contact: Mike Seltz
Address: 1660 Duke Street
Alexandria, VA 22314
Phone: 703-341-5081 Fax: 703-341-7001
Email: mseltz@voa.org

General Partner(s) or Principal Owner(s): East Cliff VOA Affordable Housing, LLC
General Partner Type: Nonprofit
Parent Company(ies): Volunteers of America National Services
Developer: Volunteers of America National Services
Investor/Consultant: National Affordable Housing Trust
Management Agent: VOA Northern California & Nevada

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 76
No. & % of Tax Credit Units: 75 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt/ HUD Section 8 Project Based Contract (75 Units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 19
Number of Units @ or below 60% of area median income: 56

Bond Information

Issuer:	CMFA
Expected Date of Issuance:	December 11, 2014
Credit Enhancement:	None

Information

Housing Type:	Seniors
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Daniel Tran

Unit Mix

19	SRO/Studio Units
56	1-Bedroom Units
1	2-Bedroom Units
76	Total Units

Unit Type & Number		2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
19	SRO/Studio	50%	50%	$815
56	1 Bedroom	60%	60%	$1,047
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing	
Estimated Total Project Cost:	$23,220,369
Estimated Residential Project Cost:	$23,220,369

Residential	
Construction Cost Per Square Foot:	$76
Per Unit Cost:	$305,531

Construction Financing

Source	Amount
Wells Fargo	$11,500,000
Seller Note	$8,587,305
Existing Reserves	$463,487
Construction Period Income	$510,125
GP Equity	$701
Tax Credit Equity	$1,047,750

Permanent Financing

Source	Amount
Wells Fargo	$6,645,000
Seller Note	$8,587,305
Existing Reserves	$463,487
Construction Period Income	$510,125
GP Equity	$701
Tax Credit Equity	$7,013,751
TOTAL	**$23,220,369**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,915,508
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$11,884,100
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,990,160
Qualified Basis (Acquisition):	$11,884,100
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	$302,069
Maximum Annual Federal Credit, Acquisition:	$399,306
Total Maximum Annual Federal Credit:	$701,375
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,452,123
Investor/Consultant:	National Affordable Housing Trust
Federal Tax Credit Factor:	$1.00000

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:	$18,799,608
Actual Eligible Basis:	$18,799,608
Unadjusted Threshold Basis Limit:	$16,224,146
Total Adjusted Threshold Basis Limit:	$20,280,183

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 25%

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 3.36% of the qualified basis. 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 total syndication expenses in the application slightly exceed the limit established in TCAC Regulation Section 10327(c)(3). The applicant is advised the total syndication expenses must be in compliance with limit outlined in regulations by placed in service.

Local Reviewing Agency:
The Local Reviewing Agency, County of Santa Cruz, 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
$701,375	**$0**

Standard Conditions
If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 reservation 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.

Additional Conditions: None