

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 First Round

June 9, 2010

Project Number CA-2010-122

Project Name Pioneer Village Apartments
Site Address: 600 Fairfax Rd.
Bakersfield, CA 93306 County: Kern
Census Tract: 11.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$684,229	\$2,366,513
Recommended:	\$684,229	\$2,366,513

Applicant Information

Applicant: Pioneer Preservation Limited Partnership
Contact: William E. Szymczak
Address: 21515 Hawthorne Blvd. Suite 125
Torrance CA 90503
Phone: 310-802-6671 Fax: 310-802-6680
Email: bill@preservationpartners.org

General partner(s) or principal owner(s): Pioneer Preservation Partners LLC
LINC-Torrance Associates LLC
General Partner Type: Joint Venture
Developer: Preservation Partners Development III LP
Investor/Consultant: Union Bank NA
Management Agent: Preservation Partners Management Group Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 17
Total # of Units: 85
No. & % of Tax Credit Units: 84 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: HUD Project-Based Section 8 (84 units - 100%)
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 10 %
35% AMI: 10 %
40% AMI: 10 %
45% AMI: 10 %
50% AMI: 40 %

Information

Set-Aside: At-Risk
Housing Type: Large Family
Geographic Area: Central Region
TCAC Project Analyst: Elaine Johnson

Unit Mix

50 2-Bedroom Units
 35 3-Bedroom Units
 85 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 2 Bedrooms	30%	30%	\$376
9 2 Bedrooms	35%	35%	\$439
9 2 Bedrooms	40%	40%	\$502
9 2 Bedrooms	45%	45%	\$564
17 2 Bedrooms	50%	50%	\$627
5 3 Bedrooms	30%	30%	\$435
30 3 Bedrooms	50%	50%	\$725
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$536

Project Financing

Estimated Total Project Cost: \$12,640,923 Construction Cost Per Square Foot: \$53
 Per Unit Cost: \$148,717

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank NA	\$5,196,755	Union Bank NA	\$2,000,838
Tax Credit Equity - Union Bank	\$6,044,167	Union Bank NA	\$3,195,938
Preservation Partners Development III LP	\$1,400,000	Deferred Developer Fee	\$687,254
		Tax Credit Equity	\$6,756,893
		TOTAL	\$12,640,923

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$5,658,876
 130% High Cost Adjustment: No
 Requested Eligible Basis (Acquisition): \$5,145,000
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$5,658,876
 Applicable Rate: 9.00%
 Qualified Basis (Acquisition): \$5,145,000
 Applicable Rate: 3.40%
 Maximum Annual Federal Credit, Rehabilitation: \$509,299
 Maximum Annual Federal Credit, Acquisition: \$174,930
 Total Maximum Annual Federal Credit: \$684,229
 Total State Credit: \$2,366,513
 Approved Developer Fee in Project Cost \$1,400,000
 Approved Developer Fee in Eligible Basis: \$983,114
 Investor/Consultant: Union Bank NA
 Federal Tax Credit Factor: \$0.78000
 State Tax Credit Factor: \$0.60000

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:	\$10,803,876
Actual Eligible Basis:	\$10,803,876
Unadjusted Threshold Basis Limit:	\$16,608,960
Total Adjusted Threshold Basis Limit:	\$19,930,752

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Tie-Breaker Information

First:	Large Family
Second:	39.815%

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 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: None

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, City of Bakersfield Department of Economic and Community Development, has completed a site review of this project and has 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
\$684,229

State Tax Credits/Total
\$2,366,513

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	25	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 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Large Family proj. w/i ¼ mile of public school project children may attend	3	3	3
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	8	8	8
Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable	2	2	2
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
Formaldehyde free cabinets, countertops and shelving	1	1	1
No-VOC interior paint	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Lowest Income	52	67	52
Basic Targeting	50	65	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.