

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 First Round

June 9, 2010

Project Number CA-2010-123

Project Name Paseo Santa Barbara, Phase II
Site Address: 210 W. Santa Barbara Street
Santa Paula, CA 93060 County: Ventura
Census Tract: 7.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$505,094	\$0
Recommended:	\$397,459	\$0

Applicant Information

Applicant: Cabrillo Economic Development Corporation (CEDC)
Contact: Bernardo M. Perez
Address: 702 County Square Drive
Ventura CA 93003
Phone: 805 672-2565 **Fax:** 805 647-4419
Email: bperez@cabrilloedc.org

General partner(s) or principal owner(s): Cabrillo Economic Development Corporation
General Partner Type: Nonprofit
Developer: Cabrillo Economic Development Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Cabrillo Economic Development Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 16
No. & % of Tax Credit Units: 15 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: USDA RHS 514 / USDA RHS 521 Rental Assistance (8 units - 50%)
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 20 %
35% AMI: 40 %
50% AMI: 20 %

Information

Set-Aside: Rural/RHS 514
Housing Type: Large Family
Geographic Area: N/A
TCAC Project Analyst: Gina Ferguson

Unit Mix

4	1-Bedroom Units
4	2-Bedroom Units
8	3-Bedroom Units
<u>16</u>	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>
1 1 Bedroom	30%	29%	\$482
1 2 Bedrooms	30%	29%	\$578
1 3 Bedrooms	30%	29%	\$668
2 1 Bedroom	35%	34%	\$562
1 2 Bedrooms	35%	34%	\$674
3 3 Bedrooms	35%	34%	\$780
1 1 Bedroom	50%	49%	\$803
1 2 Bedrooms	50%	49%	\$963
1 3 Bedrooms	50%	49%	\$1,114
1 2 Bedrooms	60%	59%	\$1,156
2 3 Bedrooms	60%	59%	\$1,337
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,232

Project Financing

Estimated Total Project Cost:	\$6,837,793	Construction Cost Per Square Foot:	\$177
		Per Unit Cost:	\$427,362

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$4,666,816	USDA Rural Development 514	\$2,000,000
CEDC GP Loan #1 (NW Funds)	\$1,000,000	CEDC GP Loan #1 (NW Funds)	\$1,000,000
HCD Infill Infrastructure Grant Program	\$636,000	HCD Infill Infrastructure Grant Program	\$636,000
CEDC GP Loan #2 (NW Funds)	\$156,000	Federal Home Loan Bank - AHP	\$120,000
Costs deferred until Completion	\$609,716	CEDC GP Loan #2 (NW Funds)	\$156,000
GP Equity	\$100	GP Equity	\$100
Tax Credit Equity	\$877,000	Tax Credit Equity	\$2,925,693
		TOTAL	\$6,837,793

Determination of Credit Amount(s)

Requested Eligible Basis:	\$3,397,085
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$4,416,211
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$397,459
Approved Developer Fee (in Project Cost & Eligible Basis):	\$654,391
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.73610

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:	\$3,397,085
Actual Eligible Basis:	\$4,380,997
Unadjusted Threshold Basis Limit:	\$3,792,096
Total Adjusted Threshold Basis Limit:	\$4,317,046

Adjustments to Basis Limit:

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

- Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	87.809%

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:

Project Sources and Uses Budget incorrectly allocated some project costs between Phase I and Phase II. Adjustments made resulted in a reduction in project costs, developer fee and credit award.

This project utilizes the community area of Phase I in providing its service amenities. The owner is required to provide: (1) 60 hours of instruction in Adult Educational classes and (2) 60 hours of instruction in Health and Wellness/Skill-building classes each year available to tenants in both phases. Phase I received a tax credit award under the application number CA-2009-842 and ARRA funding under the application number CA-2010-515.

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 Santa Paula Planning Department, has completed a site review of this project and 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
\$397,459	\$0

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

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: Please see "Special Issues" above for service amenity requirements.

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 500 feet of a regular bus stop or rapid transit system stop	4	4	4
Within ½ 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	5	5	5
Large Family proj. w/i ½ mile of public school project children may attend	3	3	3
Service Amenities	10	10	10
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
Health services provided by appropriately-licensed org. or individual	5	5	5
Sustainable Building Methods	8	8	8
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Formaldehyde free cabinets, countertops and shelving	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
Project has nonsmoking buildings or contiguous sections w/i a building	1	1	1
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
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.