

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 Second Round

September 22, 2010

Project Number CA-2010-183

Project Name San Andreas Apartments
Site Address: 441 E. St. Charles Street
San Andreas, CA 95249 County: Calaveras
Census Tract: 3.000

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$331,919 | \$0 |
| Recommended: | \$331,919 | \$0 |

Applicant Information

Applicant: St. Charles Street Partners, LP
Contact: Michael Boettger
Address: 2020 W. Kettleman Lane
Lodi, CA 95242
Phone: (209) 370-1557 Fax: (209) 747-8583
Email: mboettger@themichaelsorg.com

General partner(s) or principal owner(s): St. Charles-Michaels, LLC
Community Revitalization and Development Corp.
General Partner Type: Joint Venture
Developer: Michaels Development Company
Investor/Consultant: Prestige Affordable Housing Equity Partners, LLC
Management Agent: Interstate Reality Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 48
No. & % of Tax Credit Units: 47 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: RHS 515 / RHS 521 Rental Subsidy (43 units / 90%)
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 10 %
35% AMI: 10 %
40% AMI: 10 %
50% AMI: 25 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: N/A
 TCAC Project Analyst: Jack Waegell

Unit Mix

24 1-Bedroom Units
 20 2-Bedroom Units
4 3-Bedroom Units
 48 Total Units

| <u>Unit Type & Number</u> | <u>2010 Rents Targeted % of Area Median Income</u> | <u>2010 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 2 1 Bedroom | 30% | 30% | \$362 |
| 2 1 Bedroom | 35% | 35% | \$423 |
| 2 1 Bedroom | 40% | 40% | \$483 |
| 12 1 Bedroom | 50% | 50% | \$604 |
| 6 1 Bedroom | 60% | 60% | \$725 |
| 2 2 Bedrooms | 30% | 30% | \$435 |
| 3 2 Bedrooms | 35% | 35% | \$507 |
| 3 2 Bedrooms | 40% | 40% | \$580 |
| 11 2 Bedrooms | 60% | 60% | \$870 |
| 1 3 Bedrooms | 30% | 30% | \$502 |
| 3 3 Bedrooms | 60% | 60% | \$1,005 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Financing

Estimated Total Project Cost: \$4,876,146 Construction Cost Per Square Foot: \$49
 Per Unit Cost: \$101,586

| Construction Financing | | Permanent Financing | |
|----------------------------------|---------------|--------------------------------|--------------------|
| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
| Continental Mortgage Corporation | \$1,650,000 | USDA RD - 515 | \$1,355,288 |
| USDA RD - 515 | \$1,355,288 | Bonneville Multifamily Capital | \$733,027 |
| Deferred Developer Fee | \$543,318 | Existing Reserves | \$364,822 |
| Tax Credit Equity | \$962,718 | Tax Credit Equity | \$2,423,009 |
| Existing Reserves | \$364,822 | TOTAL | \$4,876,146 |

Determination of Credit Amount(s)

| | |
|--|--|
| Requested Eligible Basis (Rehabilitation): | \$2,779,956 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | \$196,010 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | \$3,613,943 |
| Applicable Rate: | 9.00% |
| Qualified Basis (Acquisition): | \$196,010 |
| Applicable Rate: | 3.40% |
| Maximum Annual Federal Credit, Rehabilitation: | \$325,255 |
| Maximum Annual Federal Credit, Acquisition: | \$6,664 |
| Total Maximum Annual Federal Credit: | \$331,919 |
| Approved Developer Fee in Project Cost | \$543,318 |
| Approved Developer Fee in Eligible Basis: | \$423,318 |
| Investor/Consultant: | Prestige Affordable Housing Equity Partners, LLC |
| Federal Tax Credit Factor: | \$0.73000 |

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: | \$2,975,966 |
| Actual Eligible Basis: | \$4,045,439 |
| Unadjusted Threshold Basis Limit: | \$8,571,056 |
| Total Adjusted Threshold Basis Limit: | \$8,916,693 |

Adjustments to Basis Limit:

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

- Projects recycling at least 75% of the construction and demolition waste
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- 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: **At-Risk**
Second: **66.763%**

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found most fees to be within TCAC’s underwriting guidelines and TCAC limitations, except for the acquisition developer fee as explained in the Special Issues section below. Annual operating expenses meet/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: The project has an existing/continuing RHS 521 rental subsidy for 43 of the units (90%).

The applicant included acquisition developer fee in eligible basis above the limit set by regulation. Staff adjusted accordingly. The change had no affect on the recommended federal credits because of the large amount of basis that was voluntarily excluded by the applicant.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the

| | |
|-----------------------------------|--------------------------------|
| Federal Tax Credits/Annual | State Tax Credits/Total |
| \$331,919 | \$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 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 500 ft of regular bus stop (or dial-a-ride service for rural set-aside) | 4 | 4 | 4 |
| Within ½ mile of public park or community center open to general public | 2 | 2 | 2 |
| Within ¼ mile of a neighborhood market of at least 5,000 sf | 4 | 4 | 4 |
| Within ½ mile of medical clinic or hospital | 3 | 3 | 3 |
| Within ½ mile of a pharmacy | 1 | 1 | 1 |
| In-unit high speed internet service | 2 | 2 | 2 |
| 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 |
| Sustainable Building Methods | 8 | 8 | 8 |
| Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable | 2 | 2 | 2 |
| Formaldehyde free cabinets, countertops and shelving | 1 | 1 | 1 |
| No-VOC interior paint | 1 | 1 | 1 |
| Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust | 2 | 2 | 2 |
| Construction Indoor Air Quality Management plan | 2 | 2 | 2 |
| 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.