

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 Second Round

September 22, 2010

Project Number CA-2010-247

Project Name Brisas de Paz Apartments
Site Address: 65921 Flora Avenue
Desert Hot Springs, CA 92240 County: Riverside
Census Tract: 445.070

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$939,998	\$0
Recommended:	\$939,998	\$0

Applicant Information

Applicant: Coachella Valley Housing Coalition
Contact: John F. Mealey
Address: 45701 Monroe Street, Suite G
Indio CA 92201
Phone: (760) 347-3157 Fax: (760) 342-6466
Email: john.mealey@cvhc.org

General partner(s) or principal owner(s): Coachella Valley Housing Coalition
General Partner Type: Nonprofit
Developer: Coachella Valley Housing Coalition
Consultant: Community Economics
Management Agent: Hyder & Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 9
Total # of Units: 62
No. & % of Tax Credit Units: 61 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 10 %
35% AMI: 5 %
40% AMI: 10 %
45% AMI: 5 %
50% AMI (Rural): 50 %

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

11 1-Bedroom Units
 26 2-Bedroom Units
25 3-Bedroom Units
 62 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>
1 1 Bedroom	30%	29%	\$365
1 1 Bedroom	40%	39%	\$487
9 1 Bedroom	50%	46%	\$579
3 2 Bedrooms	30%	29%	\$438
3 2 Bedrooms	35%	34%	\$511
3 2 Bedrooms	40%	39%	\$585
3 2 Bedrooms	45%	44%	\$658
14 2 Bedrooms	50%	48%	\$716
3 3 Bedrooms	30%	29%	\$507
3 3 Bedrooms	35%	34%	\$591
3 3 Bedrooms	40%	39%	\$676
3 3 Bedrooms	45%	44%	\$760
12 3 Bedrooms	50%	49%	\$845
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$14,899,703 Construction Cost Per Square Foot: \$116
 Per Unit Cost: \$240,318

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America	\$8,993,799	Bank of America	\$1,784,700
Riverside County HOME	\$1,950,000	Riverside County HOME	\$1,950,000
Affordable Housing Program (AHP)	\$610,000	City of Desert Hot Springs	\$1,700,000
CVAG (TUMF Fee Waiver)	\$78,705	Affordable Housing Program (AHP)	\$610,000
GP Equity (Sponsor Land Contribution)	\$580,000	CVAG (TUMF Fee Waiver)	\$78,705
Investor Equity	\$1,169,500	GP Equity (Sponsor Land Contribution)	\$580,000
		Accrued Interest During Construction	\$34,905
		Deferred Developer Fee	\$829,405
		Tax Credit Equity	\$7,331,988
		TOTAL	\$14,899,703

Determination of Credit Amount(s)

Requested Eligible Basis: \$8,034,175
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$10,444,427
 Applicable Rate: 9.00%
 Total Maximum Annual Federal Credit: \$939,998
 Approved Developer Fee in Project Cost: \$1,659,408
 Approved Developer Fee in Eligible Basis: \$1,400,000
 Consultant: Community Economics
 Federal Tax Credit Factor: \$0.78000

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: \$8,034,175
 Actual Eligible Basis: \$10,762,717
 Unadjusted Threshold Basis Limit: \$12,725,758
 Total Adjusted Threshold Basis Limit: \$12,725,758

Adjustments to Basis Limit: None

Tie-Breaker Information

First: **Large Family**
Second: **75.198%**

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 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 following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$939,998	\$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.

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 ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Large Family proj. w/i ½ mile of public school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
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
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	8	8	8
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Energy star rated ceiling fans in bedroom/living room; whole house fan	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
No-VOC interior paint	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Formaldehyde-free insulation	1	1	1
Recycled materials incorp. into concrete, carpet, road base, landscape	1	1	1
Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
Project design incorporates Universal Design	1	1	1
LEED/Green Communities/GreenPoint Rated Multifamily Guidelines	8	8	8
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.