

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2011 Second Round
September 28, 2011**

Project Number CA-2011-157

Project Name Dinuba Senior Apartments
Site Address: North side of "M" street between Mariposa and Merced Streets
Dinuba, CA 93618 County: Tulare
Census Tract: 5.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$818,767	\$0
Recommended:	\$818,767	\$0

Applicant Information

Applicant: Dinuba Senior Apartments CIC, LP
Contact: Cheri Hoffman
Address: 5993 Avenida Encinas, Suite 101
Carlsbad, CA 92008
Phone: 760 456-6000 **Fax:** 760-456-6001
Email: cherih@chelseainvestco.com

General partner(s) or principal owner(s): Pacific Southwest Community Development Corp.
CIC Dinuba Senior Apartments, LLC
General Partner Type: Joint Venture
Developer: Apollo Affordable Services, LLC
Investor/Consultant: Boston Financial
Management Agent: CIC Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 3
Total # of Units: 62
No. & % of Tax Credit Units: 61 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 7 10 %
40% AMI: 10 15 %
45% AMI: 11 15 %
50% AMI: 33 40 %

Information

Set-Aside: Rural
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Nicola Hil

Unit Mix

52 1-Bedroom Units
 10 2-Bedroom Units

 62 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
30 1 Bedroom	50%	50%	\$536
7 1 Bedroom	45%	45%	\$482
8 1 Bedroom	40%	40%	\$429
6 1 Bedroom	30%	30%	\$322
3 2 Bedrooms	50%	50%	\$643
4 2 Bedrooms	45%	45%	\$579
2 2 Bedrooms	40%	40%	\$515
1 2 Bedrooms	30%	30%	\$386
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$14,380,137
 Estimated Residential Project Cost: \$13,039,474
 Estimated Commercial Project Cost \$1,340,663

Residential

 Construction Cost Per Square Foot: \$206
 Per Unit Cost: \$210,314

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Rabobank	\$5,682,563	City of Dinuba (IIG)	\$2,400,000
City of Dinuba Loan (IIG)	\$2,400,000	City of Dinuba (RDA)	\$855,000
City of Dinuba Loan (RDA)	\$855,000	HOME (HCD/City)	\$3,000,000
HOME (HCD/City)	\$2,500,000	AHP (as GP equity)	\$650,000
AHP (as GP Equity)	\$650,000	Deferred Developer Fee	\$269,989
Deferred Developer Fee	\$851,544	Tax Credit Equity	\$7,205,148
Tax Credit Equity	\$1,441,030	TOTAL	\$14,380,137

Determination of Credit Amount(s)

Requested Eligible Basis: \$6,998,007
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$9,097,409
 Applicable Rate: 9.00%
 Maximum Annual Federal Credit: \$818,767
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,200,000
 Investor/Consultant: Boston Financial
 Federal Tax Credit Factor: \$0.88000

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:	\$6,998,007
Actual Eligible Basis:	\$12,186,432
Unadjusted Threshold Basis Limit:	\$9,262,056
Total Adjusted Threshold Basis Limit:	\$11,459,498

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees

Tie-Breaker Information

First:	Seniors
Second:	58.117%

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: The syndicator letter states total syndication expenses will be roughly 10.5% of gross proceeds. Per regulation section 10327(c)(3) this cannot exceed 10% in a private offering. The developer is advised the total syndication expenses must be in compliance with regulations by placed in service.

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 Dinuba Public Works Department, 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
\$818,767

State Tax Credits/Total
\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-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	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
Develop project to requirements of: LEED Silver	3	3	3
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
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS.