

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2012 Second Round

October 10, 2012

REVISED

Project Number CA-12-193

Project Name Cerritos Avenue Apartments

Site Address: 9501 W. Cerritos Avenue
Anaheim, CA 92804

County: Orange

Census Tract: 877.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,278,998	\$0
Recommended:	\$1,278,998	\$0

Applicant Information

Applicant: Cerritos Family Housing Partners, L.P.

Contact: Kevin P. Payne

Address: 31899 Del Obispo Street, Suite 130
San Juan Capistrano, CA 92675

Phone: (949) 542-8700 Fax: (949) 542-8702

Email: kpayne@paynedev.com

General partner(s) or principal owner(s):	Las Palmas Foundation Payne Development, LLC
General Partner Type:	Joint Venture
Developer:	Payne Development, LLC
Investor/Consultant:	The Richman Group
Management Agent:	Richman Property Services, Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 60

No. & % of Tax Credit Units: 59 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD Section 8 Project-based Vouchers (19 Units / 32%)

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI: 24 40 %

50% AMI: 24 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Orange County
 TCAC Project Analyst: Jack Waegell

Unit Mix

19 1-Bedroom Units
 41 3-Bedroom Units

 60 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 1 Bedroom	30%	14%	\$256
5 3 Bedrooms	30%	30%	\$751
24 3 Bedrooms	50%	50%	\$1,252
11 3 Bedrooms	60%	60%	\$1,503
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,427

Project Financing

Estimated Total Project Cost: \$18,864,879
 Estimated Residential Project Cost: \$18,864,879

Residential

Construction Cost Per Square Foot: \$183
 Per Unit Cost: \$314,415

Construction Financing

<u>Source</u>	<u>Amount</u>
Richman Mortgage Assets Co. II LLC	\$12,103,552
CalHFA - MHSA	\$2,222,734
Deferred Developer Fee	\$1,489,365
Tax Credit Equity	\$3,049,228

Permanent Financing

<u>Source</u>	<u>Amount</u>
Richman Mortgage Assets Co. II LLC	\$2,844,000
Richman M.A. Co. II LLC - Tranche B	\$1,008,164
CalHFA - MHSA	\$2,222,734
Tax Credit Equity	\$12,789,981
TOTAL	\$18,864,879

Determination of Credit Amount(s)

Requested Eligible Basis: \$13,117,930
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$17,053,308
 Applicable Rate: 7.50%
 Total Maximum Annual Federal Credit: \$1,278,998
 Approved Developer Fee in Project Cost: \$1,971,000
 Approved Developer Fee in Eligible Basis: \$1,400,000
 Investor/Consultant: The Richman Group
 Federal Tax Credit Factor: \$1.00000

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:	\$13,117,930
Actual Eligible Basis:	\$14,544,409
Unadjusted Threshold Basis Limit:	\$13,264,114
Total Adjusted Threshold Basis Limit:	\$17,812,081

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Second:	27.499%

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 7.50% of the qualified basis. 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 HUD project-based housing choice vouchers committed for the 19 MHSA units through Orange County. The Orange County Healthcare Agency (OCHC) currently anticipates using the MHSA subsidy for transition age youth (TAY). Based upon the needs within the county, OCHC may determine that some or all of the MHSA subsidized units should be used for a special needs tenant population other than TAY.

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, Orange County Community Services, 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	State Tax Credits/Total
\$1,278,998	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed 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
Cost Efficiency	20	4	4
Public Funds	20	16	16
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	2	2	2
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 elementary school project children n	3	3	3
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
LARGE FAMILY HOUSING TYPE			
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			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifam	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
Develop project to requirements of: GreenPoint Rated Multifami 100	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 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.