

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2014 First Round

June 11, 2014

Project Number CA-14-038

Project Name Paradise Creek Housing I
Site Address: 2100 Hoover Avenue
National City, CA 91950 County: San Diego
Census Tract: 219.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,043,749	\$0
Recommended:	\$2,043,749	\$0

Applicant Information

Applicant: Paradise Creek Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 Fax: (949) 660-7273
Email: fcardone@related.com

General Partner(s)/Principal Owner(s): Related/Paradise Creek Development Co., LLC
CHW Paradise Creek Development Co., LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California, LLC
Community HousingWorks, LLC
Developer: The Related Development Company of California
Investor/Consultant: US Bank
Management Agent(s): Related Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 109
No. & % of Tax Credit Units: 108 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 12 10 %
40% AMI: 23 20 %
50% AMI: 73 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

24 1-Bedroom Units
 49 2-Bedroom Units
 36 3-Bedroom Units

 109 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$444
5 1 Bedroom	40%	40%	\$592
13 1 Bedroom	50%	50%	\$740
3 1 Bedroom	50%	50%	\$740
5 2 Bedrooms	30%	30%	\$533
10 2 Bedrooms	40%	40%	\$711
24 2 Bedrooms	50%	50%	\$888
9 2 Bedrooms	50%	48%	\$854
4 3 Bedrooms	30%	30%	\$615
8 3 Bedrooms	40%	40%	\$821
18 3 Bedrooms	50%	50%	\$1,026
6 3 Bedrooms	50%	46%	\$949
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$53,675,468
 Estimated Residential Project Cost: \$53,675,468

Residential

Construction Cost Per Square Foot: \$162
 Per Unit Cost: \$492,435

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank	\$19,938,637
CDC National City	\$6,000,000
Donated Land Value	\$3,210,448
Community HousingWorks (IIG)	\$5,350,800
Community HousingWorks (CDC)	\$14,957,000
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$3,218,583

Permanent Financing

<u>Source</u>	<u>Amount</u>
US Bank	\$2,700,000
CDC National City	\$6,000,000
Donated Land Value	\$3,210,448
Community HousingWorks (IIG)	\$5,350,800
Community HousingWorks (CDC)	\$14,957,000
Tax Credit Equity	\$21,457,220
TOTAL	\$53,675,468

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,417,074
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,542,196
Applicable Rate:	7.70%
Maximum Annual Federal Credit:	\$2,043,749
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	\$1.04990

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:	\$20,417,074
Actual Eligible Basis:	\$44,534,979
Unadjusted Threshold Basis Limit:	\$28,790,000
Total Adjusted Threshold Basis Limit:	\$35,290,051

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	71.673%

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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC’s financial evaluation at project completion will determine the final

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, the City of National City, 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
\$2,043,749	\$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
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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¼ mile of a public elementary school resident children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	0
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 36 hrs/yr	3	3	3
After school program for school age children, minimum of 10 hrs/wk	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Silver	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	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
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.