

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2015 First Round**  
**June 10, 2015**

**Project Number** CA-15-015

**Project Name** Westside Palm Apartments  
 Site Address: 900 W. Pleasant Avenue  
 Tulare, CA 93274 County: Tulare  
 Census Tract: 22.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$442,029	\$1,726,146
Recommended:	\$442,029	\$1,726,146

**Applicant Information**

Applicant: Westside Palm Associates of Tulare LP  
 Contact: Shawne Mastronardi  
 Address: 900 W. Pleasant Avenue  
 Tulare, CA 93274  
 Phone: 303-671-1297 Fax: N/A  
 Email: team.cordes@earthlink.net

General Partner(s) / Principal Owner(s): CM Westside Palm Inc.  
 The Beneficial Housing Foundation  
 General Partner Type: Joint Venture  
 Parent Company(ies): CM Westside Palm Inc.  
 The Beneficial Housing Foundation  
 Developer: Cordes Development 2, LLC  
 Investor/Consultant: City Real Estate Advisors  
 Management Agent(s): AWI Management Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 10  
 Total # of Units: 40  
 No. & % of Tax Credit Units: 39 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA RHS 515 & USDA RHS 521 Rental Subsidy (38 units - 97%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 4 10 %  
 40% AMI: 8 20 %  
 50% AMI (Rural): 16 40 %

**Information**

Set-Aside: At-Risk  
 Housing Type: At-Risk  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

40 2-Bedroom Units  
 40 Total Units

<u>Unit Type &amp; 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>
4 2 Bedrooms	30%	30%	\$369
8 2 Bedrooms	40%	40%	\$493
16 2 Bedrooms	50%	50%	\$616
11 2 Bedrooms	60%	60%	\$739
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,890,892
Construction Costs	\$0
Rehabilitation Costs	\$3,695,256
Construction Contingency	\$310,572
Relocation	\$60,000
Architectural/Engineering	\$195,000
Construction Interest, Perm Financing	\$186,680
Legal Fees, Appraisals	\$19,800
Reserves	\$358,812
Other Costs	\$116,023
Developer Fee	\$740,000
Commercial Costs	\$0
<b>Total</b>	<b>\$7,573,035</b>

**Project Financing**

Estimated Total Project Cost:	\$7,573,035
Estimated Residential Project Cost:	\$7,573,035

**Residential**

Construction Cost Per Square Foot:	\$105
Per Unit Cost:	\$189,326

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Collegiate Peaks Bank	\$3,500,000
Replacement Reserves	\$285,500
Tax Credit Equity	\$2,655,135

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Bonneville - USDA RHS 538	\$385,000
USDA RHS 515 (Assumed/Recast)	\$1,548,392
Replacement Reserves	\$285,500
Solar Tax Credit Equity	\$32,873
Tax Credit Equity	\$5,321,270
<b>TOTAL</b>	<b>\$7,573,035</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,164,532
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,359,892
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,164,532
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$1,359,892
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$397,153
Maximum Annual Federal Credit, Acquisition:	\$44,876
Total Maximum Annual Federal Credit:	\$442,029
Total State Credit:	\$1,726,146
Approved Developer Fee (in Project Cost & Eligible Basis):	\$740,000
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.95000
State Tax Credit Factor:	\$0.65000

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:	\$6,524,424
Actual Eligible Basis:	\$6,524,424
Unadjusted Threshold Basis Limit:	\$7,712,000
Total Adjusted Threshold Basis Limit:	\$8,097,600

**Adjustments to Basis Limit:**

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

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Community gardens of at least 60 square feet per unit
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Second:	<b>30.042%</b>

**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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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:** This is an At-Risk project with an existing USDA RHS 515 loan and an existing USDA RHS 521 rental subsidy on 38 of the 39 tax credit units (97%), which will be assumed as part of this rehabilitation project.

The applicant submitted this At-Risk project under the Rural set aside. However, TCAC determined that the area of the project was not Rural as defined in TCAC Regulation Section 10315(c) and therefore not eligible to compete in the Rural set aside. As a result, this project was considered under the At-Risk set aside and the project was not eligible for some of the point options requested under the Site Amenity point category (see the point table on page 6).

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$442,029</b>	<b>\$1,726,146</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>13</b>
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Rural project within 1/2 mile of a public park or community center open to the general public	3	3	0
Within 1/2 mile of a public park or community center open to the general public	2	0	2
Rural project within 1 mile of a public library	2	2	0
Rural project within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	0
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	0	3
Rural project within 1/2 mile of a public high school that project children may attend	3	3	0
Rural project within 1 mile of a medical clinic or hospital	3	3	0
Within 1 mile of a medical clinic or hospital	2	0	2
Rural project within 1 mile of a pharmacy	1	1	0
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
AT-RISK HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	0
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	0	3
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>146</b>

**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.**