

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Westside Palm Apartments, located at 900 W. Pleasant Avenue in Tulare, requested and is being recommended for a reservation of \$641,758 in annual federal tax credits and \$1,525,286 in total state tax credits to finance the acquisition and rehabilitation of 39 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Cordes Development 2, LLC. and is located in Senate District 16 and Assembly District 26.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-16-015

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

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$641,758	\$1,525,286
Recommended:	\$641,758	\$1,525,286

Applicant Information

Applicant: Westside Palm Associates of Tulare, LP
 Contact: Scott Niblack
 Address: 7213 S. Perth Way
 Aurora, CO 80016
 Phone: 970-948-8385
 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: Enterprise Community Investment
 Management Agent(s): AWI Management Corporation

Project Information

Construction Type: Acquisition and 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: 16 40 %

Information

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

Unit Mix

40 2-Bedroom Units
 40 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 2 Bedrooms	30%	29%	\$369
8 2 Bedrooms	40%	38%	\$493
16 2 Bedrooms	50%	48%	\$616
11 2 Bedrooms	60%	58%	\$739
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,883,048
Construction Costs	\$0
Rehabilitation Costs	\$4,792,075
Construction Contingency	\$418,633
Relocation	\$60,000
Architectural/Engineering	\$205,000
Construction Interest, Perm Financing	\$177,000
Legal Fees, Appraisals	\$62,000
Reserves	\$447,500
Other Costs	\$221,298
Developer Fee	\$933,500
Commercial Costs	\$0
Total	\$9,200,054

Project Financing

Estimated Total Project Cost:	\$9,200,054
Estimated Residential Project Cost:	\$9,200,054
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$136
Per Unit Cost:	\$230,001
Effective Per Unit Cost*:	\$230,001

Construction Financing

Source	Amount
Collegiate Peaks Bank	\$3,300,000
Tax Credit Equity	\$2,460,618

Permanent Financing

Source	Amount
USDA - RHS 515 (Assumed)	\$1,540,548
Solar Tax Credit Equity	\$45,874
Tax Credit Equity	\$7,613,632
TOTAL	\$9,200,054

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,642,642
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,368,223
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,642,642
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,368,223
Applicable Rate:	3.21%
Maximum Annual Federal Credit, Rehabilitation:	\$597,838
Maximum Annual Federal Credit, Acquisition:	\$43,920
Total Maximum Annual Federal Credit:	\$641,758
Total State Credit:	\$1,525,286
Approved Developer Fee (in Project Cost & Eligible Basis):	\$933,500
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$1.02000
State Tax Credit Factor:	\$0.70000

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:	\$8,010,865
Actual Eligible Basis:	\$8,010,865
Unadjusted Threshold Basis Limit:	\$8,416,000
Total Adjusted Threshold Basis Limit:	\$8,752,640

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.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Tie-Breaker Information

First:	At-Risk
Final:	25.073%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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 existing USDA RHS 521 rental subsidy on 38 of the 39 tax credit units (97%), which will be assumed as part of this project.

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
\$641,758	\$1,525,286

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

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 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	5	5	5
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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.