

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

Hacienda Del Norte Apartments, located at 529 10th Street in Paso Robles, requested and is being recommended for a reservation of \$390,211 in annual federal tax credits and \$862,928 in total state tax credits to finance the acquisition and rehabilitation of 43 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Triton Community Development LLC and is located in Senate District 17 and Assembly District 35.

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 a HUD Section 8 Project-based Contract.

Project Number CA-16-110

Project Name Hacienda Del Norte Apartments
Site Address: 529 10th Street
Paso Robles, CA 93446 County: San Luis Obispo
Census Tract: 101.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$390,211	\$862,928
Recommended:	\$390,211	\$862,928

Applicant Information

Applicant: TCD Development Services, LLC
Contact: William E. Rice
Address: 910 W. Gladstone Street, Suite A
San Dima, CA 91773
Phone: 818-371-4789
Email: brice@tritoncommunity.com

General Partner(s) / Principal Owner(s): TCD Development Services, LLC
Step Forward Communities, Inc.
General Partner Type: Joint Venture
Parent Company(ies): TCD Development Services, LLC
Step Forward Communities, Inc.
Developer: Triton Community Development LLC
Investor/Consultant: Alliant Capital
Management Agent(s): MBS Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 44
 No. & % of Tax Credit Units: 43 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Contract (44 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 40% AMI: 5 10 %
 45% AMI: 5 10 %
 50% AMI: 16 35 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Connie Harina

Unit Mix

20 SRO/Studio Units
 24 1-Bedroom Units

 44 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	30%	\$401
2 SRO/Studio	40%	40%	\$534
2 SRO/Studio	45%	45%	\$601
8 SRO/Studio	50%	50%	\$668
5 SRO/Studio	60%	60%	\$802
3 1 Bedroom	30%	30%	\$430
3 1 Bedroom	40%	40%	\$573
3 1 Bedroom	45%	45%	\$644
8 1 Bedroom	50%	50%	\$716
7 1 Bedroom	60%	60%	\$859
1 SRO/Studio	Manager's Unit	Manager's Unit	\$774

Project Cost Summary at Application

Land and Acquisition	\$4,552,000
Construction Costs	\$0
Rehabilitation Costs	\$2,014,848
Construction Contingency	\$100,000
Relocation	\$15,000
Architectural/Engineering	\$75,000
Const. Interest, Perm. Financing	\$469,258
Legal Fees, Appraisals	\$140,000
Reserves	\$261,623
Other Costs	\$320,847
Developer Fee	\$959,666
Commercial Costs	\$0
Total	\$8,908,242

Project Financing

Estimated Total Project Cost:	\$8,908,242
Estimated Residential Project Cost:	\$8,908,242
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$90
Per Unit Cost:	\$202,460
True Cash Per Unit Cost*:	\$200,602

Construction Financing

Source	Amount
CalHFA	\$3,887,449
CalHFA Construction Loan	\$3,250,000
Deferred Fees and Costs	\$776,891
Tax Credit Equity	\$993,902

Permanent Financing

Source	Amount
CalHFA	\$3,887,449
Deferred Developer Fee	\$81,770
Tax Credit Equity	\$4,939,023
TOTAL	\$8,908,242

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,876,426
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$4,091,362
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,876,426
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$4,091,362
Applicable Rate:	3.21%
Maximum Annual Federal Credit, Rehabilitation:	\$258,878
Maximum Annual Federal Credit, Acquisition:	\$131,333
Total Maximum Annual Federal Credit:	\$390,211
Total State Credit:	\$862,928
Approved Developer Fee in Project Cost:	\$959,666
Approved Developer Fee in Eligible Basis:	\$570,013
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$1.09989
State Tax Credit Factor:	\$0.74993

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:	\$6,967,788
Actual Eligible Basis:	\$6,967,788
Unadjusted Threshold Basis Limit:	\$8,856,936
Total Adjusted Threshold Basis Limit:	\$8,856,936

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	At-Risk
Final:	16.521%

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 meet 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: 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 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
\$390,211	\$862,928

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 fifteen 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	13	13	13
Public Funds	7	7	7
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 transit (van 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 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
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.