**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**August 15, 2007**

**Project Number** CA-2007-864

**Project Name** The Vizcaya Apartments
Address: 1720 South Depot
Santa Maria, CA 93458 County: Santa Barbara

**Applicant Information**
Applicant: VBC Vizcaya Apartments, L.P.
Contact Ms. Sue Baker
Address: 1911 65th Ave. W.
Tacoma, WA 98466
Phone: (253) 460-3000 Fax: (253) 564-2762
Sponsor Type: For Profit

**Bond Information**
Issuer: CSCDA
Expected Date of Issuance: August 2007
Credit Enhancement: Direct Pay

**Eligible Basis**
Actual: $31,063,330
Requested: $31,063,330
Maximum Permitted: $90,928,790

Extra Feature Adjustments: 55-Year Use/Rent Restriction Adjustment: 120% ☒

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $1,182,066 | $0 |
| Recommended: | $1,182,066 | $0 |

**Project Information**
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 236
Total # Residential Buildings: 26

**Income/Rent Targeting**
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 234
55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income: 24
Number of Units @ or below 60% of area median income: 210

| Unit Type & Number | 2007 Rents % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|
| 22 One Bedroom | 60% | $755 |
| 2 One Bedroom | 50% | $629 |
| 99 Two Bedroom | 60% | $906 |
| 12 Two Bedroom | 50% | $755 |
| 71 Three Bedroom | 60% | $1,047 |
| 8 Three Bedroom | 50% | $872 |
| 18 Four Bedroom | 60% | $1,167 |
| 2 Four Bedroom | 50% | $972 |
| 1 Two-Bedroom | Manager's Unit | $831 |
| 1 Three-Bedroom | Manager's Unit | $957 |

The general partner or principal owner is VBC Vizcaya GP Inc.

The project developer is MacDonald Ladd Development, LLC.

The management services will be provided by Cambridge Management, Inc.

The market analysis was provided by the Gill Group.

The Local Reviewing Agency, the city of Santa Maria, has completed a site review of this project and supports this project.

**Project Financing**

Estimated Total Project Cost: $35,047,219 Per Unit Cost: $148,505 Construction Cost Per Sq. Foot: $19

| **Construction Financing** | | **Permanent Financing** | |
|---|---|---|---|
| Source | Amount | Source | Amount |
| MMA Financial – Tax Ex. Bonds | $22,200,000 | MMA Financial – Tax Ex. Bonds | $22,200,000 |
| MMA Financial – Bridge Loan | $5,000,000 | Deferred Developer Fee | $1,558,488 |
| Deferred Developer Fee | $1,797,219 | Investor Equity | $11,288,731 |
| Investor Equity | $6,050,000 | | |
| | | **TOTAL** | **$35,047,219** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Rehabilitation Eligible Basis: | $5,906,205 |
| Requested Acquisition Eligible Basis: | $25,157,125 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100% |
| Qualified Rehabilitation Basis: | $7,678,067 |
| Qualified Acquisition Basis: | $25,157,125 |
| Applicable Rate: | 3.60% |
| Maximum Annual Federal Rehabilitation Credit: | $276,410 |
| Maximum Annual Federal Acquisition Credit: | $905,656 |
| Total Maximum Annual Federal Credit: | $1,182,066 |
| Approved Developer Fee in Project Cost: | $2,500,000 |
| Approved Developer Fee in Eligible Basis: | $2,500,000 |
| Tax Credit Factor: MMA Financial, Inc. | $.95500 |

Applicant requests and staff recommends annual federal credits of $1,182,066, based on a qualified rehabilitation basis of $7,678,067, a qualified acquisition basis of $25,157,125, and a funding shortfall of $11,288,731.

**Cost Analysis and Line Item Review**
The requested eligible basis $31,063,330 is below TCAC's adjusted threshold basis limit $90,928,790. The basis limit includes the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

This application is for the acquisition and rehabilitation of an existing 9% tax-credit project, CA-1990-020, Meridian Apartments. This reservation of tax credits will result in an additional 40 years of deeper rent & income restrictions and rehabilitated apartments for the low-income tenants.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

| Federal/Annual | State/Total |
|---|---|
| **$1,182,066** | **$0** |

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

**Additional Conditions:**  The applicant/owner is required to provide the tenants with on going after-school programs free of charge to the tenants, and at least 20 hours per week (Monday through Friday) of licensed childcare, for a minimum of ten (10) years in accordance with the bond allocation from CDLAC.  These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

**Project Analyst:**  Jack Waegell