

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2008

Project Number CA-2008-872

Project Name Soho Apartments
Site Address: 1150 N. Ventura Avenue
Ventura, CA 93001 County: Ventura
Census Tract: 22

Applicant Information

Applicant: Soho Associates, L.P.
Contact Loretta McCarty
Address: 995 Riverside Street
Ventura, CA 93001
Phone: (805) 647-5990 Fax: (805) 643-7984
Sponsors Type: Nonprofit

Information

Housing Type: Large Family

Bond Information

Issuer: Housing Authority of the City of San Buenaventura
Expected Date of Issuance: September 4, 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$4,461,560
Requested: \$4,461,560
Maximum Permitted: \$8,631,491

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 58%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 82%

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$208,782 | \$0 |
| Recommended: | \$208,782 | \$0 |

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 12
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 12 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 12

| <u>Unit Type & Number</u> | <u>2008 Rents % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|---|--|
| 1 Two-Bedroom | 25% | \$482 |
| 2 Two-Bedroom | 35% | \$674 |
| 5 Two-Bedroom | 50% | \$963 |
| 1 Three-Bedroom | 25% | \$557 |
| 1 Three-Bedroom | 35% | \$780 |
| 2 Three-Bedroom | 50% | \$1,114 |

The general partner or principal owner is Soho Housing, LLC.

The project developer is Soho Housing, LLC.

The management services will be provided by Housing Authority of the City of San Buenaventura.

The market analysis was provided by Market Insights.

The Local Reviewing Agency, the City of Ventura, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$6,465,779 Per Unit Cost: \$519,638 Construction Cost Per Sq. Foot: \$120
 Estimated Residential Cost: \$6,235,654
 Estimated Commercial Cost: \$230,125

| <u>Construction Financing</u> | | <u>Permanent Financing</u> | |
|----------------------------------|---------------|----------------------------------|--------------------|
| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
| Wells Fargo | \$3,100,000 | CCRC – Tax-Exempt Mortgage | \$834,414 |
| CHFA-HELP | \$800,000 | CCRC – Section 8 Mortgage | \$668,523 |
| City of Ventura | \$598,561 | HCD-MHP | \$1,171,936 |
| Housing Authority – PILOT Funds | \$495,724 | City of Ventura | \$1,000,000 |
| Housing Authority – Agency Funds | \$221,756 | Housing Authority – PILOT Funds | \$495,724 |
| Deferred Costs | \$610,350 | Housing Authority – Agency Funds | \$221,756 |
| Investor Equity | \$521,933 | AHP | \$70,000 |
| | | Deferred Costs | \$226,486 |
| | | Investor Equity | \$1,776,940 |
| | | TOTAL | \$6,465,779 |

Determination of Credit Amount(s)

| | |
|--|-------------|
| Requested Eligible Basis: | \$4,461,560 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100% |
| Qualified Basis: | \$5,800,028 |
| Applicable Rate: | 3.60% |
| Total Maximum Annual Federal Credit: | \$208,782 |
| Approved Developer Fee: Residential | \$580,957 |
| Approved Developer Fee: Commercial | \$23,043 |
| Tax Credit Factor: <i>NDC Corporate Equity Fund VIII, L.P.</i> | \$0.85110 |

Applicant requests and staff recommends annual federal credits of \$208,782, based on a qualified basis of \$5,800,028 and a funding shortfall of \$1,776,940.

Cost Analysis and Line Item Review

The requested eligible basis \$4,461,560 is below TCAC's adjusted threshold basis limit \$8,631,491. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. 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: None

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 |
| \$208,782 | \$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.

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.

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 after school programs and educational classes 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: Anthony Zeto