

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2008 Second Round Cycle**  
**October 8, 2008**

**Project Number** CA-2008-124

**Project Name** Rancho Hermosa  
**Site Address:** 199 East Inger Drive  
Santa Maria, CA 93454 County: Santa Barbara  
**Census Tract:** 21

**Applicant Information**

**Applicant:** McClelland Santa Maria, L.P.  
**Contact:** Frank Thompson  
**Address:** 1108 De La Vina Street, B  
Santa Barbara, CA 93101  
**Phone:** (805) 957-1301 Fax: (805) 957-1302  
**Email:** [Thompsonhc@aol.com](mailto:Thompsonhc@aol.com)  
**General Partners(s)Type:** Nonprofit

**Information**

**Set-Aside:** N/A  
**Housing Type:** Special Needs  
**Type of SpN:** Formerly Homeless/At-Risk Of Homelessness/Substance Abuse/Mentally Disabled  
**45 Special Need Units:** 100%  
**Geographic Area:** Coastal California – Santa Barbara

**Eligible Basis**

**Requested:** \$19,006,686  
**Actual:** \$20,212,142  
**Maximum Permitted:** \$19,006,686

**Adjustments to Threshold Basis Limit:**

Required to Pay Prevailing Wages  
Parking Beneath Residential Units  
100% of Units for Special Needs Population  
Local Impact Fees  
Utilizing New Energy Technologies  
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features  
95% of Upper Floor Units are Elevator-Serviced

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,581,356	\$0
Recommended:	\$1,581,356	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** None  
**Total # of Units:** 47  
**Total # Residential Buildings:** 8

**Income/Rent Targeting**

Federal Set-Aside Elected: 40%/60%  
 % & No. of Tax Credit Units: 100% - 45 units  
 Average Affordability of Special Needs Units or SRO Project: 28.98%  
 Breakdown by %: 45% @ 30%, 25% @ 40%

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b><i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Credit Reduction	20	20	20
<b><i>Owner / Management Characteristics</i> Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b><i>Housing Needs</i> Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b><i>Site Amenities</i> Maximum of 15 points</b>	<b>15</b>	<b>15</b>	<b>15</b>
<input checked="" type="checkbox"/> Within 1500 feet of a regular bus stop or rapid transit system stop	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<b><i>Service Amenities</i> Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Direct client services where a contract is in place at the time of application	5	5	5
<b><i>Balanced Communities</i> Maximum of 8 points</b>	<b>9</b>	<b>7</b>	<b>7</b>
<input checked="" type="checkbox"/> Local government initiatives re: affordable housing	3	3	3
<input checked="" type="checkbox"/> Project with at least 30% of units @ 30% AMI or less	4	4	4
<b><i>Sustainable Building Methods</i> Maximum of 8 points</b>	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<b><i>Lowest Income</i> Maximum of 52 points</b>	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b><i>Readiness to Proceed</i> Maximum of 20 points</b>	<b>20</b>	<b>15</b>	<b>15</b>
<b><i>State credit substitution</i> Maximum of 2 points</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>155</b>	<b>148</b>	<b>148</b>

**Tie-Breaker Information**

Tie-Breaker Categories Apply to this Project: **No**  
 First: Housing Type **Special Needs**  
 Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **No**  
 Third: Calculated Ratio per Regulation 10325(c)(12) **99.485%**

<u>Unit Type &amp; Number</u>	<u>2008 Rents for 2<sup>nd</sup> Round 2008</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
11 Three-Bedroom Units	20%	\$404
11 Three-Bedroom Units	25%	\$505
11 Three-Bedroom Units	30%	\$606
12 Three-Bedroom Units	40%	\$809
2 Three-Bedroom Units	Manager Units	\$606

The general partner or principal owner is Santa Barbara Housing Assistance Corporation.

The project developer is Santa Barbara Housing Assistance Corporation.

The management agent is Housing Authority of the County of Santa Barbara.

The market analyst is Novogradac and Company, LLP.

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: \$25,905,138

Est. Residential Project Cost: \$24,005,138 Per Unit Cost: \$510,748 Construction Cost Per Sq. Foot: \$230

Est. Commercial Project Cost: \$1,900,000

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
AIG Retirement Services, Inc.	\$19,900,000	AIG Retirement Services, Inc.	\$302,851
Deferred Developer Fee	\$1,225,000	HCD-MHP Supportive Hsg Program	\$7,783,845
Investor Equity	\$4,780,138	County MHSA Capital Funding	\$1,200,000
		AHP	\$1,000,000
		Sale of Commercial Condos	\$1,900,000
		Deferred Developer Fee	\$593,185
		Investor Equity	\$13,125,257
		<b>TOTAL</b>	<b>\$25,905,138</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,006,686
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (20%)	\$4,941,738
Qualified Basis:	\$19,766,953
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$1,581,356
Total State Credit:	\$0
Approved Developer Fee:	\$1,400,000
Tax Credit Factor: <i>SunAmerica</i>	\$0.8300

Applicant requests and staff recommends annual federal credits of \$1,581,356, based on a qualified basis of \$19,766,953 and a funding shortfall of \$13,125,257.

### **Cost Analysis and Line Item Review**

The requested eligible basis \$19,006,686 is at the TCAC's threshold basis limit \$19,006,686. The basis limit was increased by the following extraordinary features: projects where 95% of upper floor units are elevator-serviced, projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, projects where 100% of the units are for special needs populations, projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, for exceeding Title 24 by at least 15%, using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used, and installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas. 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 8.00% of the qualified basis, or, in the case of acquisition Credit. 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.

**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/Annual</b>	<b>State/Total</b>
\$1,581,356	\$0

### **Standard Conditions**

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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)(8) 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)(P) at project completion.

**Additional Conditions**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** Anthony Zeto