

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2010 First Round
June 9, 2010

Project Number CA-2010-026

Project Name Paseo Verde II Family Apartments
 Site Address: North side of Valley Blvd. approximately 416 west of Juniper Ave.
 Fontana, CA 92335 County: San Bernardino
 Census Tract: 33.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,230,994	\$0
Recommended:	\$1,230,994	\$0

Applicant Information

Applicant: Fontana Valley Blvd. II Housing Partners, L.P.
 Contact: Frank Cardone
 Address: 18201 Von Karman Avenue, Suite 900
 Irvine CA 92612
 Phone: 949.660.7272 Fax: 949.660.7273
 Email: fcardone@related.com

General partner(s) or principal owner(s): Related/Fontana Valley Blvd. II Development Co. LLC.
 Fontana Valley Blvd. II Housing Partners MGP, LLC.
 General Partner Type: Joint Venture
 Developer: Related Development Company of California, LLC
 Investor/Consultant: US Bank
 Management Agent: Related Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 11
 Total # of Units: 46
 No. & % of Tax Credit Units: 46 100%
 Federal Set-Aside Elected: 40%/60% Test
 Federal Subsidy: N/A
 Affordability Breakdown by % (Lowest Income Points):
 30% AMI: 10 %
 40% AMI: 20 %
 50% AMI: 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire
 TCAC Project Analyst: DC Navarrette

Unit Mix

32 2-Bedroom Units
14 3-Bedroom Units
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46 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 2 Bedrooms	30%	30%	\$449
7 2 Bedrooms	40%	40%	\$599
13 2 Bedrooms	50%	50%	\$748
9 2 Bedrooms	60%	60%	\$898
2 3 Bedrooms	30%	30%	\$519
3 3 Bedrooms	40%	40%	\$692
6 3 Bedrooms	50%	50%	\$865
3 3 Bedrooms	60%	60%	\$1,038

Project Financing

Estimated Total Project Cost: \$22,149,529 Construction Cost Per Square Foot: \$190
 Per Unit Cost: \$481,512

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank of California	\$7,846,799	Union Bank of California	\$1,420,000
Fontana HA (Soft Loan)	\$6,250,000	Fontana HA (Soft Loan)	\$6,250,000
Fontana HA (Land Donation)	\$5,248,000	Fontana HA (Land Donation)	\$5,248,000
Deferred Developer Fee	\$1,420,000	Tax Credit Equity	\$9,231,529
Tax Credit Equity	\$1,384,729	TOTAL	\$22,149,529

Determination of Credit Amount(s)

Requested Eligible Basis: \$10,521,313
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$13,677,707
 Applicable Rate: 9.00%
 Maximum Annual Federal Credit: \$1,230,994
 Approved Developer Fee in Project Cost \$1,800,000
 Approved Developer Fee in Eligible Basis: \$1,400,000
 Investor/Consultant: US Bank
 Federal 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: \$10,521,313
 Actual Eligible Basis: \$16,000,359
 Unadjusted Threshold Basis Limit: \$9,145,344
 Total Adjusted Threshold Basis Limit: \$10,521,313

Adjustments to Basis Limit:

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units
- Projects using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board’s Recycled Content Products Database

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	104.410%

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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: No manager's unit was identified for this development. This is a phase II of project CA-2009-007, Juniper Avenue Family Apartments. The original development already has one managers unit for the 49 units. This current development is for an additional 46 units for a total of 95 units. The existing manager's unit in phase I meets TCAC regulation standards.

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, the City of Fontana Housing Authority, has completed a site review of this project and strongly supports this project.

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
\$1,230,994	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. 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
Public Funds	20	51	20
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 ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Large Family proj. w/i ½ mile of public school project children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	8	8	8
Energy star rated ceiling fans in bedroom/living room; whole house fan	2	2	2
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Formaldehyde free cabinets, countertops and shelving	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Formaldehyde-free insulation	1	1	1
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	20	20	20
State Credit Substitution	2	2	2
Total Points	146	146	146

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.