

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 21, 2012**

Project Number CA-2012-814

Project Name Vista Terrace
Site Address: 987 Postal Way
Vista, CA 92083 County: San Diego
Census Tract: 196.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$352,369	\$0
Recommended:	\$352,369	\$0

Applicant Information

Applicant: North County Solutions for Change, Inc.
Contact: Michael C. Megison
Address: 722 W. California Ave.
Vista, CA 92083
Phone: 760-941-6545 Fax: 760-941-1715
Email: Chris@solutionsforchange.org

General partner(s) or principal owner(s): North County Solutions for Change, Inc.
Pacific Development Community Development Corp.
General Partner Type: Nonprofit
Developer: Chelsea Investment Corporation
Investor: The Richman Group
Management Agent: North County Solutions for Change, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 47
No. & % of Tax Credit Units: 46 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project Based Section 8 (35 Units - 74%)
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 35
Number of Units @ or below 50% of area median income: 5
Number of Units @ or below 60% of area median income: 6

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: April 1, 2012
Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

37 2-Bedroom Units
 10 3-Bedroom Units

 47 Total Units

Unit Type & Number	2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 2 Bedrooms	60%	60%	\$1,084
2 2 Bedrooms	50%	50%	\$903
29 2 Bedrooms	30%	30%	\$542
3 3 Bedrooms	50%	50%	\$1,044
6 3 Bedrooms	30%	30%	\$626
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,274,330
 Estimated Residential Project Cost: \$12,274,330

Residential

Construction Cost Per Square Foot: \$42
 Per Unit Cost: \$261,156

Construction Financing

Source	Amount
JP Morgan Chase	\$10,072,911
Tax Credit Equity	\$2,201,419

Permanent Financing

Source	Amount
JP Morgan Chase	\$3,416,000
North County Solutions for Change	\$400,000
HCD MHP	\$4,800,000
Deferred Developer Fee	\$416,535
Tax Credit Equity	\$3,241,795
TOTAL	\$12,274,330

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$4,425,837
 130% High Cost Adjustment: Yes
 Requested Eligible Basis (Acquisition): \$5,293,567
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$5,753,588
 Applicable Rate: 3.20%
 Qualified Basis (Acquisition): \$5,293,567
 Applicable Rate: 3.20%
 Maximum Annual Federal Credit, Rehabilitation: \$182,975
 Maximum Annual Federal Credit, Acquisition: \$169,394
 Total Maximum Annual Federal Credit: \$352,369
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,200,000
 Investor: The Richman Group
 Federal Tax Credit Factor: \$0.92000

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:	\$9,719,403
Actual Eligible Basis:	\$9,719,403
Unadjusted Threshold Basis Limit:	\$13,107,360
Total Adjusted Threshold Basis Limit:	\$35,150,035

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 10%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 152%

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 3.20% of the qualified basis. 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

Local Reviewing Agency:

The Local Reviewing Agency, the City of Vista, 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
\$352,369

State Tax Credits/Total
\$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 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 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 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.

Additional Conditions: None