

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2012 Second Round**  
**October 10, 2012**

**Project Number** CA-12-210

**Project Name** Vista Montana Apartments  
 Site Address: 84800 Bagdad Avenue  
 Coachella, CA 92236 County: Riverside  
 Census Tract: 457.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$878,153	\$3,511,091
Recommended:	\$878,153	\$3,511,091

**Applicant Information**

Applicant: Vista Montana Coachella, LP  
 Contact: Matt Grosz  
 Address: 16935 West Bernardo Drive, Suite 238  
 San Diego CA 92127  
 Phone: (760) 456-6000 Fax: (760) 456-6001  
 Email: mgrosz@chelseainvestco.com

General partner(s) or principal owner(s): Pacific Southwest Community Development Corp.  
 General Partner Type: Nonprofit  
 Developer: Chelsea Investment Corporation  
 Investor/Consultant: US Bank Community Development Corporation  
 Management Agent: CIC Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 6  
 Total # of Units: 56  
 No. & % of Tax Credit Units: 55 100%  
 Federal Set-Aside Elected: 20%/50%  
 Federal Subsidy: USDA RHS 514 and 521 (55 units - 100%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 6 10 %  
 40% AMI: 11 20 %  
 50% AMI: 38 40 %

**Information**

Set-Aside: Rural / RHS 514  
 Housing Type: Large Family  
 Geographic Area: N/A  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

16 2-Bedroom Units  
 40 3-Bedroom Units  


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 56 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 2 Bedrooms	50%	50%	\$753
4 2 Bedrooms	40%	40%	\$603
2 2 Bedrooms	30%	30%	\$452
28 3 Bedrooms	50%	49%	\$852
7 3 Bedrooms	40%	40%	\$697
4 3 Bedrooms	30%	30%	\$522
1 3 Bedrooms	Manager's Unit	Manager's Unit	0

**Project Financing**

Estimated Total Project Cost: \$16,329,425      Construction Cost Per Square Foot: \$123  
 Per Unit Cost: \$291,597

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Rabobank, N.A.	\$10,707,722	USDA 514	\$3,000,000
City of Coachella	\$1,905,382	City of Coachella	\$1,905,382
Deferred Fee and Reserves	\$1,433,351	Deferred Developer Fee	\$9,193
Tax Credit Equity	\$2,282,970	Tax Credit Equity	\$11,414,850
		<b>TOTAL</b>	<b>\$16,329,425</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$11,708,709  
 130% High Cost Adjustment: No  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$11,708,709  
 Applicable Rate: 7.50%  
 Maximum Annual Federal Credit: \$878,153  
 Total State Credit: \$3,511,091  
 Approved Developer Fee in Project Cost: \$1,669,306  
 Approved Developer Fee in Eligible Basis: \$1,400,000  
 Investor/Consultant: US Bank Community Development Corporation  
 Federal Tax Credit Factor: \$1.00000  
 State Tax Credit Factor: \$0.75000

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:	\$11,708,709
Actual Eligible Basis:	\$12,528,709
Unadjusted Threshold Basis Limit:	\$13,386,240
Total Adjusted Threshold Basis Limit:	\$14,690,680

**Adjustments to Basis Limit:**

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Second:	<b>29.379%</b>

**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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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:**

The applicant’s estimate of the contractor’s profit, overhead and general requirement costs exceed the limits established by regulation. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit will not be allowed.

**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.

**Local Reviewing Agency:**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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**  
**\$878,153**

**State Tax Credits/Total**  
**\$3,511,091**

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed 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

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Cost Efficiency	20	0	2
Public Funds	20	20	18
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Large Family proj. w/i ½ mile of public middle school project children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 6 hours/week	3	3	3
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**