

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**May 15, 2013**

**REVISED**

**Project Number** CA-13-844

**Project Name** Plaza Mendoza  
Site Address: 1725 N. Marks Avenue  
Fresno, CA 93722 County: Fresno  
Census Tract: 38.070

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$402,308	\$0
Recommended:	\$402,308	\$0

**Applicant Information**

Applicant: Plaza Mendoza Housing, L.P.  
Contact: Alfredo Izmajtovich  
Address: 29700 Woodford-Tehachapi Road  
Keene, CA 93531  
Phone: (213) 362-0260 Fax: (213) 362-0265  
Email: alfredoi@chavezfoundation.org

General partner(s) or principal owner(s): Plaza Mendoza Housing, LLC  
General Partner Type: Nonprofit  
Developer: Cesar Chavez Foundation  
Investor/Consultant: Aegon USA Realty Advisors, LLC  
Management Agent: Cesar Chavez Foundation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 33  
Total # of Units: 132  
No. & % of Tax Credit Units: 130 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 39  
Number of Units @ or below 60% of area median income: 91

**Bond Information**

Issuer: CA Statewide Communities Development Authority  
 Expected Date of Issuance: May 15, 2013  
 Credit Enhancement: None

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

20 SRO/Studio Units  
 24 1-Bedroom Units  
 86 2-Bedroom Units  
 2 3-Bedroom Units  


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 132 Total Units

<b>Unit Type &amp; Number</b>	<b>2013 Rents Targeted % of Area Median Income</b>	<b>2013 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
6 SRO/Studio	50%	50%	\$502
14 SRO/Studio	60%	56%	\$566
8 1 Bedroom	50%	50%	\$538
16 1 Bedroom	60%	57%	\$615
25 2 Bedrooms	50%	50%	\$645
60 2 Bedrooms	60%	58%	\$749
1 3 Bedrooms	60%	57%	\$852
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$663
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$785

**Project Financing**

Estimated Total Project Cost: \$14,071,109  
 Estimated Residential Project Cost: \$14,071,109

**Construction Financing**

Source	Amount
Citibank, N.A./Tax Exempt Bonds	\$7,480,000
Operating Revenues	\$299,200
Cesar Chavez Foundation/ GP Capital	\$100
Seller Note	\$4,264,968
Tax Credit Equity	\$573,231

**Residential**

Construction Cost Per Square Foot: \$45  
 Per Unit Cost: \$106,599

**Permanent Financing**

Source	Amount
Citibank, N.A./Tax Exempt Bonds	\$4,694,000
Operating Revenues	\$299,200
Cesar Chavez Foundation/ GP Capital	\$100
Seller Note	\$4,264,968
Deferred Developer Fee	\$991,300
Tax Credit Equity	\$3,821,541
<b>TOTAL</b>	<b>\$14,071,109</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$6,922,115
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,650,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,922,115
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$5,650,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$221,508
Maximum Annual Federal Credit, Acquisition:	\$180,800
Total Maximum Annual Federal Credit:	\$402,308
Approved Developer Fee in Project Cost:	\$1,639,967
Approved Developer Fee in Eligible Basis:	\$1,639,000
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	\$0.94990

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:	\$12,572,115
Actual Eligible Basis:	\$12,572,115
Unadjusted Threshold Basis Limit:	\$25,156,804
Total Adjusted Threshold Basis Limit:	\$32,703,845

**Adjustments to Basis Limit:**

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

**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:**

The proposed project is a re-syndication of project CA-97-928, Plaza Mendoza Apartments.

**Local Reviewing Agency:**

The Local Reviewing Agency, City of Fresno, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$402,308</b>	<b>\$0</b>

**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 a reservation 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:** The applicant/owner is required to provide the tenants with the following service amenities free of charge 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:

- After school program on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:
  - (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).