

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2013 Second Round
September 25, 2013

Project Number CA-13-123

Project Name Lilly Hill Apartments
 Site Address: 1001 Lillyhill Drive
 Needles, CA 92363 County: San Bernardino
 Census Tract: 107.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$359,938	\$0
Recommended:	\$359,938	\$0

Applicant Information

Applicant: 1001 Lilly Hill Partners, LP
 Contact: Michael Boettger
 Address: 2020 W. Kettleman Lane
 Lodi, CA 95241
 Phone: (209) 370-1559 Fax: (209) 334-5387
 Email: mboettger@themichaelsorg.com

General Partner(s) or Principal Owner(s): Community Revitalization Development Corp.
 1001 Lilly Hill-Michaels, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Community Revitalization Development Corp.
 1001 Lilly Hill-Michaels, LLC
 Developer: Michaels Development Company
 Investor/Consultant: Prestige Affordable Housing Equity
 Management Agent(s): Interstate Realty Management Co.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 13
 Total # of Units: 52
 No. & % of Tax Credit Units: 51 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 515
 HUD Section 8 Project-based Contract (51 Units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	6	10 %
35% AMI:	6	10 %
40% AMI:	6	10 %
50% AMI:	13	25 %

Information

Set-Aside: Rural
 Housing Type: At-Risk
 Geographic Area: N/A
 TCAC Project Analyst: Jack Waegell

Unit Mix

12 1-Bedroom Units
 32 2-Bedroom Units
 8 3-Bedroom Units

 52 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$358
1 1 Bedroom	35%	35%	\$418
1 1 Bedroom	40%	40%	\$478
3 1 Bedroom	50%	42%	\$499
6 1 Bedroom	60%	42%	\$499
4 2 Bedrooms	30%	30%	\$430
4 2 Bedrooms	35%	35%	\$502
4 2 Bedrooms	40%	40%	\$574
8 2 Bedrooms	50%	42%	\$604
11 2 Bedrooms	60%	42%	\$604
1 3 Bedrooms	30%	30%	\$496
1 3 Bedrooms	35%	35%	\$579
1 3 Bedrooms	40%	40%	\$660
2 3 Bedrooms	50%	40%	\$660
3 3 Bedrooms	60%	40%	\$660
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$6,816,514
 Estimated Residential Project Cost: \$6,816,514

Residential

Construction Cost Per Square Foot: \$72
 Per Unit Cost: \$131,087

Construction Financing

<u>Source</u>	<u>Amount</u>
Continental Mortgage	\$3,703,110
USDA Section 515 Loan Assumption	\$1,483,862
Deferred Developer Fee	\$508,336
Tax Credit Equity	\$1,121,206

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bonneville Mortgage	\$2,037,667
USDA Section 515 Loan Assumption	\$1,483,862
Existing Reserves	\$91,538
Tax Credit Equity	\$3,203,447
TOTAL	\$6,816,514

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,066,409
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$36,515
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,986,332
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$36,515
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$358,770
Maximum Annual Federal Credit, Acquisition:	\$1,168
Total Maximum Annual Federal Credit:	\$359,938
Approved Developer Fee (in Project Cost & Eligible Basis):	\$608,336
Investor/Consultant:	Prestige Affordable Housing Equity
Federal Tax Credit Factor:	\$0.89000

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:	\$3,102,924
Actual Eligible Basis:	\$5,746,909
Unadjusted Threshold Basis Limit:	\$10,521,096
Total Adjusted Threshold Basis Limit:	\$10,521,096

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	At-Risk
Second:	45.371%

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, 3.20%. 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: This USDA 515 financed project has a HUD Section 8 project-based contract covering 100% of the 51 affordable units.

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, the City of Needles, 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
\$359,938	\$0

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	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 regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
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
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.