

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2014 First Round

June 11, 2014

Project Number CA-14-049

Project Name Descanso Place III
Site Address: 625 Rembrandt Street
Bakersfield, CA 93306 County: Kern
Census Tract: 11.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$641,949	\$0
Recommended:	\$641,949	\$0

Applicant Information

Applicant: 625 Rembrandt St., L.P., a California limited partnership
Contact: Lori Koester
Address: 5947 Variel Avenue
Woodland Hills, CA 91367
Phone: (818) 905-2430 **Fax:** (818) 905-2440
Email: lkoester@corpoffices.com

General Partner(s) / Principal Owner(s): Corporation for Better Housing
General Partner Type: Nonprofit
Parent Company(ies): Corporation for Better Housing
Developer: Corporation for Better Housing
Investor/Consultant: Hunt Capital Partners, LLC
Management Agent(s): CBH Property Management, LLC

Project Information

Construction Type: New Construction
Total # Residential Buildings: 34
Total # of Units: 34
No. & % of Tax Credit Units: 33 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 4 10 %
45% AMI: 9 25 %
50% AMI: 14 40 %

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: Central Valley Region
TCAC Project Analyst: Connie Harina

Unit Mix

9	2-Bedroom Units
25	3-Bedroom Units
<hr/>	
34	Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 2 Bedrooms	30%	30%	\$369
3 2 Bedrooms	45%	45%	\$554
4 2 Bedrooms	50%	50%	\$616
1 2 Bedrooms	60%	60%	\$739
3 3 Bedrooms	30%	30%	\$426
6 3 Bedrooms	45%	45%	\$640
10 3 Bedrooms	50%	50%	\$711
5 3 Bedrooms	60%	60%	\$853
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$8,972,684
Estimated Residential Project Cost:	\$8,972,684

Residential

Construction Cost Per Square Foot:	\$143
Per Unit Cost:	\$263,902

Construction Financing

<u>Source</u>	<u>Amount</u>
Hunt Capital Partners, LLC	\$7,500,000
Tax Credit Equity	\$931,252

Permanent Financing

<u>Source</u>	<u>Amount</u>
Hunt Capital Partners, LLC	\$807,100
County of Kern	\$2,000,000
Deferred Developer Fee	\$163,966
Tax Credit Equity	\$6,001,618
TOTAL	\$8,972,684

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,413,072
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,336,994
Applicable Rate:	7.70%
Maximum Annual Federal Credit:	\$641,949
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,000,000
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	\$0.93491

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:	\$6,413,072
Actual Eligible Basis:	\$7,693,072
Unadjusted Threshold Basis Limit:	\$8,265,600
Total Adjusted Threshold Basis Limit:	\$8,265,600

Adjustments to Basis Limit: None

Tie-Breaker Information

First:	Large Family
Second:	31.799%

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 meet 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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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

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	State Tax Credits/Total
\$641,949	\$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 transit stop, service every 30 minutes in rush hours	6	6	6
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¼ mile of a public elementary school	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, min. of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Develop project to requirements of: GreenPointe Rated 100	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
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.