

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2014 Second Round

September 24, 2014

Project Number CA-14-158

Project Name Sonata at Riverpark
Site Address: 2901 Riverpark Boulevard
Oxnard, CA 93036 County: Ventura
Census Tract: 50.040

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$691,147 | \$2,692,778 |
| Recommended: | \$691,147 | \$2,692,778 |

Applicant Information

Applicant: Sonata at Riverpark Partners, LP
Contact: Anders Plett
Address: 911 N. Studebaker Road
Long Beach, CA 90815
Phone: 562-257-5309 **Fax:** 562-493-7042
Email: anders.plett@rhf.org

General Partner(s) / Principal Owner(s): Sonata RHF Housing, Inc.
Sonata at Riverpark Developers, LLC
General Partner Type: Joint Venture
Parent Company(ies): Retirement Housing Foundation
American Communities
Developer: Retirement Housing Foundation
Investor/Consultant: Wells Fargo Bank
Management Agent(s): Foundation Property Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 53
No. & % of Tax Credit Units: 52 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: None
Utility Allowance: CUAC
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 6 10 %
45% AMI: 19 35 %
50% AMI: 16 30 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

11 1-Bedroom Units
 21 2-Bedroom Units
 21 3-Bedroom Units

 53 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 1 Bedroom | 30% | 30% | \$499 |
| 6 1 Bedroom | 45% | 45% | \$748 |
| 4 1 Bedroom | 50% | 50% | \$831 |
| 2 2 Bedrooms | 30% | 30% | \$599 |
| 6 2 Bedrooms | 45% | 45% | \$898 |
| 6 2 Bedrooms | 50% | 50% | \$998 |
| 6 2 Bedrooms | 60% | 60% | \$1,198 |
| 3 3 Bedrooms | 30% | 30% | \$691 |
| 7 3 Bedrooms | 45% | 45% | \$1,037 |
| 6 3 Bedrooms | 50% | 50% | \$1,153 |
| 5 3 Bedrooms | 60% | 60% | \$1,383 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Financing

Estimated Total Project Cost: \$16,591,477
 Estimated Residential Project Cost: \$16,591,477

Residential

Construction Cost Per Square Foot: \$149
 Per Unit Cost: \$313,047

Construction Financing

| <u>Source</u> | <u>Amount</u> |
|--------------------------------------|---------------|
| Wells Fargo | \$9,817,324 |
| City of Oxnard | \$3,000,000 |
| City of Oxnard Impact Fee Waiver | \$87,523 |
| RHF Foundation, Inc. - Angelus Trust | \$1,500,000 |
| Deferred Fees and Costs | \$2,092,873 |
| GP Equity | \$928 |
| Tax Credit Equity | \$92,829 |

Permanent Financing

| <u>Source</u> | <u>Amount</u> |
|--------------------------------------|---------------------|
| Wells Fargo | \$2,720,148 |
| City of Oxnard | \$3,000,000 |
| City of Oxnard Impact Fee Waiver | \$87,523 |
| RHF Foundation, Inc. - Angelus Trust | \$1,500,000 |
| Tax Credit Equity | \$9,283,806 |
| TOTAL | \$16,591,477 |

Determination of Credit Amount(s)

| | |
|---|------------------|
| Requested Eligible Basis: | \$8,975,932 |
| 130% High Cost Adjustment: | No |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$8,975,932 |
| Applicable Rate: | 7.70% |
| Total Maximum Annual Federal Credit: | \$691,147 |
| Total State Credit: | \$2,692,778 |
| Approved Developer Fee in Project Cost: | \$1,916,754 |
| Approved Developer Fee in Eligible Basis: | \$1,400,000 |
| Investor/Consultant: | Wells Fargo Bank |
| Federal Tax Credit Factor: | \$1.09000 |
| State Tax Credit Factor: | \$0.65000 |

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: | \$8,975,932 |
| Actual Eligible Basis: | \$14,178,360 |
| Unadjusted Threshold Basis Limit: | \$13,998,950 |
| Total Adjusted Threshold Basis Limit: | \$18,657,724 |

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

| | |
|---------|---------------------|
| First: | Large Family |
| Second: | 42.879% |

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 7.70% 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 |
| \$691,147 | \$2,692,778 |

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 |
| Cost Efficiency | 2 | 2 | 2 |
| Public Funds | 18 | 18 | 18 |
| 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 1/3 mile of a regular bus stop or rapid transit system stop | 3 | 3 | 3 |
| Within 1/4 mile of public park or community center open to general public | 3 | 3 | 3 |
| Within 1/2 mile of public library | 2 | 2 | 2 |
| Within 1/4 mile of a full-scale grocery/supermarket of at least 25,000 sf | 5 | 5 | 0 |
| Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf | 4 | 0 | 4 |
| Within 1/2 mile of public middle school project children may attend | 3 | 3 | 3 |
| Within 1 mile of medical clinic or hospital | 2 | 2 | 2 |
| Within 1/4 mile of a pharmacy | 2 | 2 | 2 |
| Service Amenities | 10 | 10 | 10 |
| LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES | | | |
| Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms | 5 | 5 | 5 |
| Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction | 5 | 5 | 5 |
| Sustainable Building Methods | 10 | 10 | 10 |
| NEW CONSTRUCTION/ADAPTIVE REUSE | | | |
| Develop project in accordance w/ requirements of: LEED | 5 | 5 | 5 |
| Develop project to requirements of: LEED Gold | 5 | 5 | 5 |
| 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 |
| Smoke Free Residence | 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.