

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Vista Hidden Valley Apartments, located at 777 Anns Way in Vista, requested \$589,590 in annual federal credits, but is being recommended for a reservation of \$585,580 in annual federal tax credits (see "**Special Issues/Other Significant Information**" section) to finance the acquisition and rehabilitation of 49 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Triton Community Development, LLC and is located in Senate District 36 and Assembly District 76.

Project Number CA-16-046

Project Name Vista Hidden Valley Apartments
Site Address: 777 Anns Way
Vista, CA 92083 County: San Diego
Census Tract: 194.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$589,590	\$0
Recommended:	\$585,580	\$0

Applicant Information

Applicant: TCD Development Services, LLC
Contact: William Rice
Address: 910 W. Gladstone St., Ste A
San Dimas, CA 91773
Phone: 818-371-4789
Email: brice@tritoncommunity.com

General Partner(s) / Principal Owner(s): TCD Development Services, LLC
Step Forward Communities
General Partner Type: Joint Venture
Parent Company(ies): Triton Community Development LLC
Step Forward Communities
Developer: Triton Community Development LLC
Investor/Consultant: Alliant Capital
Management Agent(s): MBS Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 19
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 45% AMI: 13 25 %
 50% AMI: 31 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: San Diego County
 TCAC Project Analyst: DC Navarrette

Unit Mix

42 1-Bedroom Units
 8 2-Bedroom Units

 50 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	30%	30%	\$455
11 1 Bedroom	45%	45%	\$683
27 1 Bedroom	50%	50%	\$759
1 2 Bedrooms	30%	28%	\$512
2 2 Bedrooms	45%	45%	\$820
4 2 Bedrooms	50%	47%	\$854
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,100,000
Construction Costs	\$0
Rehabilitation Costs	\$2,693,250
Construction Contingency	\$0
Relocation	\$10,000
Architectural/Engineering	\$95,000
Construction Interest, Perm Financing	\$346,993
Legal Fees, Appraisals	\$344,088
Reserves	\$141,725
Other Costs	\$240,057
Developer Fee	\$1,487,976
Commercial Costs	\$0
Total	\$12,459,089

Project Financing

Estimated Total Project Cost:	\$12,459,089
Estimated Residential Project Cost:	\$12,459,089
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$73
Per Unit Cost:	\$249,182
Effective Per Unit Cost*:	\$241,031

Construction Financing

Source	Amount
California Bank & Trust	\$5,905,709
City of Vista - Loan (Assumed)	\$4,495,000
City of Vista - Donation Value	\$400,000
Deferred Fees and Costs	\$763,526
Tax Credit Equity	\$937,354

Permanent Financing

Source	Amount
California Bank & Trust	\$1,350,000
City of Vista - Loan (Assumed)	\$4,495,000
City of Vista - Donation Value	\$400,000
Deferred Developer Fee	\$7,560
Tax Credit Equity	\$6,206,529
TOTAL	\$12,459,089

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,109,112
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,035,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,041,846
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$7,035,000
Applicable Rate:	3.21%
Maximum Annual Federal Credit, Rehabilitation:	\$359,756
Maximum Annual Federal Credit, Acquisition:	\$225,824
Total Maximum Annual Federal Credit:	\$585,580
Approved Developer Fee in Project Cost:	\$1,487,976
Approved Developer Fee in Eligible Basis:	\$817,976
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$1.05989

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:	\$10,144,112
Actual Eligible Basis:	\$10,737,820
Unadjusted Threshold Basis Limit:	\$10,550,372
Total Adjusted Threshold Basis Limit:	\$10,550,372

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Seniors
Final:	42.258%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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

TCAC staff noted a total of \$42,500 of syndication and organization costs in the development budget. TCAC staff has reduced the cost and corresponding tax credit equity from the development budget resulting in a slight decrease to the annual federal credit to \$585,580 from the requested amount of \$589,590.

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 Vista, has completed a site review of this project and 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
\$585,580	\$0

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
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 ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Provide free or discounted transit passes	3	3	3
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	2	2	2
In-unit high speed internet service	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, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.