

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 Waiting List Project
November 16, 2016

Promenade at Creekside II, located at 5 Creekside Drive in San Marcos, requested and is being recommended for a reservation of \$1,143,744 in annual federal tax credits to finance the new construction of 42 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Opportune Southern California Ventures, LLC and will be located in Senate District 38 and Assembly District 75.

Project Number CA-16-076

Project Name Promenade at Creekside II
Site Address: 5 Creekside Drive
San Marcos, CA 92078 County: San Diego
Census Tract: 200.090

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,143,744	\$0
Recommended:	\$1,143,744	\$0

Applicant Information

Applicant: Promenade at Creekside Housing Partners II, L.P.
Contact: Steve Bram
Address: 3202 Country Rose Circle
Encinitas, CA 92024
Phone: 858-756-5048 Fax: 858-756-5068
Email: steve@opportuneco.com

General Partner(s) / Principal Owner(s): Las Palmas Housing and Development Corporation
Opportune Southern California Ventures, LLC

General Partner Type: Joint Venture

Parent Company(ies): Las Palmas Housing and Development Corporation
Opportune Southern California Ventures, LLC

Developer: Opportune Southern California Ventures, LLC

Investor/Consultant: Wells Fargo Bank, NA

Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 43
 No. & % of Tax Credit Units: 42 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 40% AMI: 9 20 %
 50% AMI: 17 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Jack Waegell

Unit Mix

10 1-Bedroom Units
 14 2-Bedroom Units
 19 3-Bedroom Units

 43 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$478
2 1 Bedroom	40%	40%	\$637
4 1 Bedroom	50%	50%	\$796
3 1 Bedroom	60%	60%	\$956
2 2 Bedrooms	30%	30%	\$573
3 2 Bedrooms	40%	40%	\$765
6 2 Bedrooms	50%	50%	\$956
2 2 Bedrooms	60%	60%	\$1,147
2 3 Bedrooms	30%	30%	\$663
4 3 Bedrooms	40%	40%	\$884
7 3 Bedrooms	50%	50%	\$1,105
6 3 Bedrooms	60%	60%	\$1,326
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,195,434
Construction Costs	\$9,705,366
Rehabilitation Costs	\$0
Construction Contingency	\$504,847
Relocation	\$0
Architectural/Engineering	\$254,291
Const. Interest, Perm. Financing	\$594,699
Legal Fees, Appraisals	\$104,200
Reserves	\$364,376
Other Costs	\$1,945,547
Developer Fee	\$1,400,000
Commercial Costs	\$2,464,428
Total	\$20,533,188

Project Financing

Estimated Total Project Cost:	\$20,533,188
Estimated Residential Project Cost:	\$17,988,760
Estimated Commercial Project Cost:	\$2,544,428

Residential

Construction Cost Per Square Foot:	\$202
Per Unit Cost:	\$418,343
True Cash Per Unit Cost*:	\$416,306

Construction Financing

Source	Amount
Wells Fargo Bank, NA	\$9,401,188
Wells Fargo Bank, NA	\$2,000,000
City of San Marcos	\$5,222,000
City of San Marcos	\$2,630,000
Deferred Developer Fee	\$1,280,000

Permanent Financing

Source	Amount
City of San Marcos	\$5,222,000
City of San Marcos	\$2,630,000
Deferred Developer Fee	\$100,000
Tax Credit Equity	\$12,581,188
TOTAL	\$20,533,188

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,775,594
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,708,272
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,143,744
Approved Developer Fee in Project Cost:	\$1,400,000
Approved Developer Fee in Eligible Basis:	\$1,320,000
Investor/Consultant:	Wells Fargo Bank, NA
Federal Tax Credit Factor:	\$1.10000

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:	\$9,775,594
Actual Eligible Basis:	\$14,253,037
Unadjusted Threshold Basis Limit:	\$11,484,708
Total Adjusted Threshold Basis Limit:	\$13,135,331

Adjustments to Basis Limit

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Community gardens of at least 60 square feet per unit

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	45.163%

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. 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, the City of San Marcos, 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
\$1,143,744	\$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 fifteen 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, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1.5 miles of a public high school that project children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of LEED	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
Smoke Free Residence	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.