

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Manzanita Garden Apartments, located at 537 North Ramona Boulevard in San Jacinto, CA, requested and is being recommended for a reservation of \$529,560 in annual federal tax credits to finance the acquisition and rehabilitation of 35 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Cordes Development 2, LLC and will be located in Senate District 37 and Assembly District 65.

The project is currently At-Risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project is currently receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-15-087

Project Name Manzanita Garden Apartments
Site Address: 537 North Ramona Boulevard
San Jacinto, CA 92583 County: Riverside
Census Tract: 436.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$529,560	\$0
Recommended:	\$529,560	\$0

Applicant Information

Applicant: Manzanita Gardens Associates of San Jacinto, LP
Contact: Shawne Mastronardi
Address: 7213 South Perth Way
Aurora, CO 80016
Phone: 303-671-1297
Email: team.cordes@earthlink.net

General Partner(s) / Principal Owner(s): CM Manzanita Gardens, Inc.
General Partner Type: For Profit
Parent Company(ies): Cordes Development 2, LLC
Developer: Cordes Development 2, LLC
Investor/Consultant: City Real Estate Advisors
Management Agent(s): AWI Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 8
 Total # of Units: 36
 No. & % of Tax Credit Units: 35 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 514 / USDA RHS 521 Rental Assistance (35 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 4 10 %
 40% AMI: 8 20 %
 50% AMI: 15 40 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

16 1-Bedroom Units
 16 2-Bedroom Units
4 3-Bedroom Units
 36 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>
1 1 Bedroom	30%	30%	\$349
4 1 Bedroom	40%	40%	\$466
7 1 Bedroom	50%	50%	\$582
4 1 Bedroom	60%	60%	\$699
2 2 Bedrooms	30%	30%	\$419
3 2 Bedrooms	40%	40%	\$559
7 2 Bedrooms	50%	50%	\$698
4 2 Bedrooms	60%	60%	\$838
1 3 Bedrooms	30%	30%	\$484
1 3 Bedrooms	40%	40%	\$646
1 3 Bedrooms	50%	50%	\$807
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,568,452
Construction Costs	\$0
Rehabilitation Costs	\$3,429,298
Construction Contingency	\$288,191
Relocation	\$74,000
Architectural/Engineering	\$195,000
Construction Interest, Perm Financing	\$250,353
Legal Fees, Appraisals	\$49,800
Reserves	\$361,594
Other Costs	\$107,482
Developer Fee	\$698,772
Commercial Costs	\$0
Total	\$7,022,942

Project Financing

Estimated Total Project Cost:	\$7,022,942
Estimated Residential Project Cost:	\$7,022,942

Residential

Construction Cost Per Square Foot:	\$109
Per Unit Cost:	\$195,082

Construction Financing

Source	Amount
Rabobank	\$3,800,000
Existing Reserves	\$180,000
Tax Credit Equity	\$790,855

Permanent Financing

Source	Amount
USDA RHS 515 (Assumed)	\$1,305,294
Bonneville USDA RHS 538	\$315,000
Existing Reserves	\$127,000
PV Solar Tax Credit Equity	\$33,000
Tax Credit Equity	\$5,242,648
TOTAL	\$7,022,942

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,890,926
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,232,125
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,358,204
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$1,232,125
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$488,900
Maximum Annual Federal Credit, Acquisition:	\$40,660
Total Maximum Annual Federal Credit:	\$529,560
Approved Developer Fee (in Project Cost & Eligible Basis):	\$698,772
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.99000

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:	\$6,123,051
Actual Eligible Basis:	\$6,123,051
Unadjusted Threshold Basis Limit:	\$7,426,944
Total Adjusted Threshold Basis Limit:	\$7,426,944

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	At-Risk
Second:	27.371%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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
\$529,560	\$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
Cost Efficiency	20	2	2
Public Funds	20	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 bus stop, service every 30 minutes in rush hours	5	5	5
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public library	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr	7	7	7
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr	5	5	5
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.