

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Atascadero Family Apartments, located at 9355 Avenida Maria in Atascadero, CA, requested and is being recommended for a reservation of \$1,713,195 in annual federal tax credits and \$6,683,459 in total state tax credits to finance the new construction of 59 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 Corporation for Better Housing and will be located in Senate District 15 and Assembly District 33.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-15-144

Project Name Atascadero Family Apartments
Site Address: 9355 Avenida Maria
Atascadero, CA 93422 County: San Luis Obispo
Census Tract: 125.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,713,195	\$6,683,459
Recommended:	\$1,713,195	\$6,683,459

Applicant Information

Applicant: 9355 Avenida Maria, 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.org

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: Alden Torch Financial LLC
Management Agent(s): CBH Property Management, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 514 / USDA RHS 521 Rental Assistance (60 units - 100%)
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 6 10 %
 45% AMI: 9 15 %
 50% AMI (Rural): 30 50 %

Information

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

Unit Mix

22 2-Bedroom Units
 24 3-Bedroom Units
 14 4-Bedroom Units

 60 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 2 Bedrooms	30%	30%	\$520
4 2 Bedrooms	45%	45%	\$780
11 2 Bedrooms	50%	50%	\$867
5 2 Bedrooms	60%	60%	\$1,041
3 3 Bedrooms	30%	30%	\$601
2 3 Bedrooms	45%	45%	\$902
12 3 Bedrooms	50%	50%	\$1,002
7 3 Bedrooms	60%	60%	\$1,203
2 4 Bedrooms	30%	30%	\$671
3 4 Bedrooms	45%	45%	\$1,006
7 4 Bedrooms	50%	50%	\$1,118
2 4 Bedrooms	60%	60%	\$1,342
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,875,000
Construction Costs	\$17,156,578
Rehabilitation Costs	\$0
Construction Contingency	\$857,829
Relocation	\$0
Architectural/Engineering	\$505,000
Construction Interest, Perm Financing	\$1,435,000
Legal Fees, Appraisals	\$95,000
Reserves	\$354,002
Other Costs	\$1,576,234
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$25,854,643

Project Financing

Estimated Total Project Cost:	\$25,854,643
Estimated Residential Project Cost:	\$25,854,643

Residential

Construction Cost Per Square Foot:	\$285
Per Unit Cost:	\$430,911

Construction Financing

Source	Amount
Alden Torch Financial LLC	\$20,000,000
Tax Credit Equity	\$4,435,000

Permanent Financing

Source	Amount
Alden Torch Financial (ATF), LLC	\$1,919,600
ATF, LLC - Tranche B	\$1,136,943
USDA - RHS 514	\$3,000,000
Deferred Developer Fee	\$21,925
Tax Credit Equity	\$19,776,175
TOTAL	\$25,854,643

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,278,213
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$22,278,213
Applicable Rate:	7.69%
Maximum Annual Federal Credit:	\$1,713,195
Total State Credit:	\$6,683,459
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Alden Torch Financial LLC
Federal Tax Credit Factor:	\$0.91991
State Tax Credit Factor:	\$0.60094

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:	\$22,278,213
Actual Eligible Basis:	\$22,278,213
Unadjusted Threshold Basis Limit:	\$18,723,404
Total Adjusted Threshold Basis Limit:	\$23,441,979

Adjustments to Basis Limit:

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

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Second:	24.612%

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, the City of Atascadero, 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
\$1,713,195	\$6,683,459

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	4	4
Public Funds	20	16	16
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 regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 3 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
In-unit high speed internet service	3	3	3
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, minimum of 10 hours/week	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
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.