

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

Ortiz Plaza, located at 5352 Old Redwood Highway in Santa Rosa, CA, requested and is being recommended for a reservation of \$273,430 in annual federal tax credits and \$982,697 in total State Farmworker tax credits to finance the new construction of 29 of housing serving farmworkers with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Phoenix Development Company and will be located in Senate District 2 and Assembly District 2.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance. The project financing includes state funding from the MHP program of HCD.

Project Number CA-15-887

Project Name Ortiz Plaza
Site Address: 5352 Old Redwood Highway
Santa Rosa, CA 95403 County: Sonoma
Census Tract: 1527.010

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$273,430	\$982,697
Recommended:	\$273,430	\$982,697

*State Farmworker Tax Credits

Applicant Information

Applicant: Ortiz Plaza LP
Contact: Loren Brueggemann
Address: 1620 Olivet Road
Santa Rosa, CA 95401
Phone: 612-386-9071 Fax: 612-465-2876
Email: lorenb@phoenixdevco.com

General Partner(s)/Principal Owner(s): Phoenix Development Company of Minneapolis, LLC
CHD Ortiz Plaza LLC
Affordable Housing Alliance II, Inc dba Integrity Housing

General Partner Type: Joint Venture
Parent Company(ies): Phoenix Development Company
California Human Development Corporation
Affordable Housing Alliance II, Inc.

Developer: Phoenix Development Company
Investor/Consultant: City Real Estate Advisors
Management Agent: Hyder & Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / USDA RHS 514 / USDA RHS 516 /
 USDA RHS 521 Rental Subsidy (29 units - 100%)
 HCD MHP Funding: Yes
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 11 35 %
 45% AMI: 3 10 %
 50% AMI: 15 40 %
 Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 11
 Number of Units @ or below 50% of area median income: 18

Bond Information

Issuer: CalHFA
 Expected Date of Issuance: January 20, 2016
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Non-Targeted
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

30 2-Bedroom Units
30 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>
15 2 Bedrooms	50%	50%	\$900
3 2 Bedrooms	45%	45%	\$810
11 2 Bedrooms	30%	30%	\$540
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$508

Project Cost Summary at Application

Land and Acquisition	\$1,605,100
Construction Costs	\$5,218,129
Rehabilitation Costs	\$0
Construction Contingency	\$230,784
Relocation	\$0
Architectural/Engineering	\$332,750
Construction Interest & Perm Financing	\$617,787
Legal Fees, Appraisals	\$149,374
Reserves	\$253,684
Other Costs	\$1,129,542
Developer Fee	\$1,050,000
Commercial Costs	\$0
Total	\$10,587,150

Project Financing

Estimated Total Project Cost:	\$10,587,150
Estimated Residential Project Cost:	\$10,587,150

Residential

Construction Cost Per Square Foot:	\$183
Per Unit Cost:	\$365,074

Construction Financing

Source	Amount
Exchange Bank	\$7,060,000
Sonoma County CDC	\$510,000
MK Old Redwood (Marv Soiland)	\$250,000
American Ag Credit	\$100,000
Deferred County Fees	\$516,000
Deferred Developer Fee	\$952,847
Tax Credit Equity	\$666,129

Permanent Financing

Source	Amount
CCRC	\$2,250,000
USDA - RHS 514/RHS 516	\$3,000,000
HCD - MHP	\$516,000
Sonoma County CDC	\$510,000
MK Old Redwood (Marv Soiland)	\$250,000
American Ag Credit	\$100,000
Deferred Developer Fee	\$623,130
Tax Credit Equity	\$3,338,020
TOTAL	\$10,587,150

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,285,756
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$8,285,756
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$273,430
Total State Farmworker Credit:	\$982,697
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,050,000
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.98000
State Tax Credit Factor:	\$0.67000

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:	\$8,285,756
Actual Eligible Basis:	\$8,285,756
Unadjusted Threshold Basis Limit:	\$8,352,000
Total Adjusted Threshold Basis Limit:	\$22,957,440

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

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

- New construction: project buildings are at least 45% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- Community gardens of at least 60 square feet per unit
- 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
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 62%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 74%

Tie-Breaker Information

Final: N/A

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 3.30% 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 Sonoma County Community Development Commission, 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 Farmworker Tax Credits/Total
\$273,430	\$982,697

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 reservation 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
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	0	0
Site Amenities	15	11	11
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Withn 1/4 mile of a public elementary school that children may attend	3	3	3
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 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	10	10	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Develop project to requirements of: GreenPoint Rated Program Silver	3	3	0
Energy efficiency beyond CA Building Code Title 24 requirements: 40.0%	5	5	0
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	5
Total Points	126	112	92

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.