

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-196

Project Name Cedar Glen Apartments
 Site Address: 9886 County Farm Road
 Riverside, CA 92503 County: Riverside
 Census Tract: 412.010

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$1,263,177 | \$0 |
| Recommended: | \$1,263,177 | \$0 |

Applicant Information

Applicant: Riverside Cedar Glen Partners LP
 Contact: Danavon L. Horn
 Address: 44-139 Monterey Ave., Suite A
 Palm Desert, CA 92260
 Phone: 760-568-1048 Fax: 760-469-4004
 Email: dhorn@palmcommunities.com

General partner(s) or principal owner(s): PC Riverside Developers LLC
 Housing Corporation of America
 General Partner Type: Joint Venture
 Developer: D.L. Horn & Associates
 Investor: WNC
 Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 51
 No. & % of Tax Credit Units: 50 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and % (Lowest Income Points):

| | | |
|----------|----|------|
| 30% AMI: | 5 | 10 % |
| 40% AMI: | 5 | 10 % |
| 45% AMI: | 5 | 10 % |
| 50% AMI: | 18 | 35 % |

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

14 1-Bedroom Units
 14 2-Bedroom Units
 17 3-Bedroom Units
 6 4-Bedroom Units

 51 Total Units

| <u>Unit Type & Number</u> | <u>2012 Rents Targeted % of Area Median Income</u> | <u>2012 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 1 1 Bedroom | 40% | 20% | \$255 |
| 1 1 Bedroom | 45% | 20% | \$255 |
| 12 1 Bedroom | 50% | 20% | \$255 |
| 1 2 Bedrooms | 30% | 17% | \$255 |
| 1 2 Bedrooms | 30% | 30% | \$452 |
| 2 2 Bedrooms | 40% | 40% | \$602 |
| 2 2 Bedrooms | 45% | 45% | \$678 |
| 4 2 Bedrooms | 50% | 50% | \$753 |
| 4 2 Bedrooms | 60% | 60% | \$904 |
| 2 3 Bedrooms | 30% | 30% | \$523 |
| 2 3 Bedrooms | 40% | 40% | \$697 |
| 2 3 Bedrooms | 45% | 45% | \$784 |
| 5 3 Bedrooms | 50% | 50% | \$871 |
| 5 3 Bedrooms | 60% | 60% | \$1,045 |
| 1 4 Bedrooms | 30% | 30% | \$583 |
| 1 4 Bedrooms | 50% | 50% | \$972 |
| 4 4 Bedrooms | 60% | 60% | \$1,166 |
| 1 3 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Financing

| | |
|-------------------------------------|--------------|
| Estimated Total Project Cost: | \$17,619,410 |
| Estimated Residential Project Cost: | \$17,619,410 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$136 |
| Per Unit Cost: | \$345,479 |

Construction Financing

| Source | Amount |
|--------------------------|-------------|
| Citibank | \$8,573,336 |
| County of Riverside HOME | \$550,000 |
| Land Lease | \$1,340,000 |
| MHSA | \$2,500,000 |
| Fee Waivers | \$317,781 |
| Deferred Developer Fee | \$738,602 |
| Tax Credit Equity | \$3,599,691 |

Permanent Financing

| Source | Amount |
|--------------------------|---------------------|
| Citibank | \$872,344 |
| County of Riverside HOME | \$550,000 |
| Land Lease | \$1,340,000 |
| MHSA | \$2,500,000 |
| Fee Waivers | \$317,781 |
| Deferred Developer Fee | \$40,314 |
| Tax Credit Equity | \$11,998,971 |
| TOTAL | \$17,619,410 |

Determination of Credit Amount(s)

| | |
|---|--------------|
| Requested Eligible Basis: | \$12,955,661 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$16,842,359 |
| Applicable Rate: | 7.50% |
| Maximum Annual Federal Credit: | \$1,263,177 |
| Approved Developer Fee in Project Cost: | \$1,789,330 |
| Approved Developer Fee in Eligible Basis: | \$1,400,000 |
| Investor/Consultant: | WNC |
| Federal Tax Credit Factor: | \$0.94990 |

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: | \$12,955,661 |
| Actual Eligible Basis: | \$13,328,869 |
| Unadjusted Threshold Basis Limit: | \$11,139,664 |
| Total Adjusted Threshold Basis Limit: | \$13,012,871 |

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.
- New construction: project buildings are at least 45% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- 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

Tie-Breaker Information

| | |
|---------|---------------------|
| First: | Large Family |
| Second: | 30.293% |

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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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 was unable to identify the number of washers and dryers available on site. Per regulation section 10325(g)(1)(G) adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 10 units. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each unit, subject to the further provision that gas connections for dryers shall be provided where gas is otherwise available at the property.

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 Riverside, 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 |
|-----------------------------------|--------------------------------|
| \$1,263,177 | \$0 |

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. 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 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 | 2 | 2 | 2 |
| Within ½ mile of public library | 2 | 2 | 2 |
| Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf | 4 | 4 | 4 |
| Large Family proj. w/i 1.5 miles of a public high school project children may | 2 | 2 | 2 |
| 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, min. 84 hrs/yr instruction | 7 | 7 | 7 |
| After school program for school age children, min. of 6 hours/week | 3 | 3 | 3 |
| Sustainable Building Methods | 10 | 10 | 10 |
| NEW CONSTRUCTION/ADAPTIVE REUSE | | | |
| Develop project in accordance w/ requirements of: GreenPoint Rated | 5 | 5 | 5 |
| Energy efficiency beyond CA Building Code Title 24 requirements: 25% | 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 |
| Universal Design | 1 | 1 | 1 |
| 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.