

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2014 First Round**  
**June 11, 2014**

**Project Number** CA-14-036

**Project Name** Castillo del Sol Apartments  
 Site Address: 3005 E. Main Street  
 Ventura, CA 93003 County: Ventura  
 Census Tract: 27.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$704,443	\$2,111,216
Recommended:	\$704,443	\$2,111,216

**Applicant Information**

Applicant: Homecomings, Inc.  
 Contact: Dan Hardy  
 Address: 995 Riverside Street  
 Ventura, CA 93001  
 Phone: 805-648-5008 Fax: 805-643-7984  
 Email: dhardy@hacityventura.org

General Partner(s) / Principal Owner(s): Homecomings, Inc. to be formed LLC  
 McCarthy Companies  
 General Partner Type: Joint Venture  
 Parent Company(ies): Homecomings, Inc.  
 McCarthy Companies  
 Developer: Homecomings, Inc.  
 Investor/Consultant: Wells Fargo Bank, N.A.  
 Management Agent(s): Housing Authority of City of Ventura

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 40  
 No. & % of Tax Credit Units: 39 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (39 units / 100%)  
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 4 10 %  
 40% AMI: 31 75 %  
 50% AMI: 4 10 %

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homelss / formerly homeless and persons with development disabilities  
 % of Special Need Units: 39 units 100%  
 Geographic Area: Central Coast Region  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

39 SRO/Studio Units  
 1 2-Bedroom Units  
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 40 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	30%	30%	\$465
31 SRO/Studio	40%	40%	\$621
4 SRO/Studio	50%	50%	\$776
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$11,524,203  
 Estimated Residential Project Cost: \$11,524,203

**Residential**

Construction Cost Per Square Foot: \$224  
 Per Unit Cost: \$288,105

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$6,900,000
HA of the City of Ventura	\$1,510,000
HA of the City of Ventura - Land Value	\$630,000
Deferred Developer Fee	\$868,100
Tax Credit Equity	\$1,616,103

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
CCRC - Tranche B Loan	\$1,320,000
HA of the City of Ventura	\$1,510,000
HA of the City of Ventura - Land Value	\$630,000
Deferred Developer Fee	\$515
Tax Credit Equity	\$8,063,688
<b>TOTAL</b>	<b>\$11,524,203</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$7,037,388  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$9,148,604  
 Applicable Rate: 7.70%  
 Maximum Annual Federal Credit: \$704,443  
 Total State Credit: \$2,111,216  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,157,296  
 Investor/Consultant: Wells Fargo Bank, N.A.  
 Federal Tax Credit Factor: \$0.94991  
 State Tax Credit Factor: \$0.64994

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:	\$7,037,388
Actual Eligible Basis:	\$8,830,605
Unadjusted Threshold Basis Limit:	\$7,132,454
Total Adjusted Threshold Basis Limit:	\$9,044,641

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Second:	<b>47.276%</b>

**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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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:**

All units will be individually metered for water. Sub-meters will be located within each apartment which will track and bill individual water usage.

**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 Buenaventura, has completed a site review of this project and 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**  
**\$704,443**

**State Tax Credits/Total**  
**\$2,111,216**

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/3 mile of a bus stop, service every 30 minutes in rush hours	5	5	5
Within 1/2 mile of public park or community center open to general public	2	2	2
Within 1/4 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs/SRO project within 1/2 mile of facility serving tenant pop.	3	3	0
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/4 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Develop project to requirements of: GreenPoint Rated 125	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**