

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

Project Number CA-14-053

Project Name Las Palmeras
 Site Address: 470 Wall Road
 Imperial, CA 92251 County: Imperial
 Census Tract: 112.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$790,978	\$3,081,732
Recommended:	\$790,978	\$3,081,732

Applicant Information

Applicant: Las Palmeras Imperial, LP
 Contact: Robert W. Laing
 Address: 16935 West Bernardo Dr., Ste. 238
 San Diego CA 92127
 Phone: (858) 675-0506 Fax: (858) 675-0702
 Email: robertlaing@pswcdc.org

General Partner(s) or Principal Owner(s): Pacific Southwest Community Development Corp.
 General Partner Type: Nonprofit
 Parent Company(ies): Pacific Southwest Community Development Corp.
 Developer: Chelsea Investment Corporation
 Investor/Consultant: City Real Estate Advisors
 Management Agent(s): CIC Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 56
 No. & % of Tax Credit Units: 55 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS Section 514 and RHS Section 521 (100% - 55 units)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 6 10 %
 40% AMI: 11 20 %
 50% AMI (Rural): 28 50 %

Information

Set-Aside: Rural/RHS 514
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Daniel Tran

Unit Mix

12 1-Bedroom Units
 24 2-Bedroom Units
 20 3-Bedroom Units

 56 Total Units

<u>Unit Type & 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>
2 1 Bedroom	60%	60%	\$615
5 1 Bedroom	50%	50%	\$513
4 1 Bedroom	40%	40%	\$410
1 1 Bedroom	30%	30%	\$307
5 2 Bedrooms	60%	60%	\$739
13 2 Bedrooms	50%	50%	\$616
3 2 Bedrooms	40%	40%	\$493
3 2 Bedrooms	30%	30%	\$369
3 3 Bedrooms	60%	60%	\$853
10 3 Bedrooms	50%	50%	\$711
4 3 Bedrooms	40%	40%	\$569
2 3 Bedrooms	30%	30%	\$426
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,559,375
 Estimated Residential Project Cost: \$12,559,375

Residential

Construction Cost Per Square Foot: \$155
 Per Unit Cost: \$224,275

Construction Financing

<u>Source</u>	<u>Amount</u>
Rabobank	\$9,602,864
Deferred Costs	\$1,069,669
Tax Credit Equity	\$1,886,842

Permanent Financing

<u>Source</u>	<u>Amount</u>
USDA RHS Section 514 Loan	\$3,000,000
Deferred Developer Fee	\$125,166
Tax Credit Equity	\$9,434,209
TOTAL	\$12,559,375

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,272,440
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,272,440
Applicable Rate:	7.70%
Maximum Annual Federal Credit:	\$790,978
Total State Credit:	\$3,081,732
Approved Developer Fee in Project Cost:	\$1,464,366
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.92000
State Tax Credit Factor:	\$0.70000

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:	\$10,272,440
Actual Eligible Basis:	\$11,162,440
Unadjusted Threshold Basis Limit:	\$12,100,156
Total Adjusted Threshold Basis Limit:	\$13,855,013

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, 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:	35.928%

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: 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
\$790,978	\$3,081,732

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 1/3 mile of a regular bus stop or rapid transit system stop	3	3	3
Within 1 mile of public park or community center open to general public	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 2 miles of a public high school	2	2	2
Within 1 mile of a pharmacy	1	1	1
In-unit high speed internet service	3	3	3
Service Amenities	10	10	10
Adult ed/health & wellness/skill bldg classes, minimum 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.