CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number	CA-15-842

Project Name	Virginia Terrace	
Site Address:	615 E. Virginia Way	
	Barstow, CA 92311	County: San Bernardino
Census Tract:	95.000	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$293,205	$0
Recommended:	$293,205	$0

Applicant Information

Applicant:	SFC-VT LP
Contact:	Duane Henry
Address:	910 W. Gladstone Street, Ste. A San Dimas, CA 91773
Phone:	949-216-0210
Email:	duane.henry@stepforwardcommunities.com

General Partner(s) or Principal Owner(s):	Step Forward Communities
General Partner Type:	Nonprofit
Parent Company(ies):	Step Forward Communities
Developer:	Triton Community Development LLC
Investor/Consultant:	Hunt Capital Partners, LLC
Management Agent:	PMG

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	7
Total # of Units:	76
No. & % of Tax Credit Units:	75 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt/HUD Project-Based Section 8 Contract (75 Units - 100%)
HCD MHP Funding:	No
Utility Allowance:	CUAC
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 15
Number of Units @ or below 60% of area median income: 60

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	June 1, 2015
Credit Enhancement:	HUD - FHA Insurance

Information

Housing Type:	Non-Targeted
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	DC Navarrette

Unit Mix

13	1-Bedroom Units
47	2-Bedroom Units
16	3-Bedroom Units
76	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	49%	$569
10	1 Bedroom	60%	56%	$653
9	2 Bedrooms	50%	49%	$683
38	2 Bedrooms	60%	50%	$699
3	3 Bedrooms	50%	49%	$789
12	3 Bedrooms	60%	55%	$883
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$3,112,986
Construction Costs	$0
Rehabilitation Costs	$3,196,195
Construction Contingency	$311,904
Relocation	$0
Architectural/Engineering	$65,000
Construction Interest, Perm Financing	$395,500
Legal Fees, Appraisals	$100,000
Reserves	$378,727
Other Costs	$199,380
Developer Fee	$1,019,136
Commercial Costs	$0
Total	**$8,778,828**

Project Financing	
Estimated Total Project Cost:	$8,778,828
Estimated Residential Project Cost:	$8,778,828

Residential	
Construction Cost Per Square Foot:	$53
Per Unit Cost:	$115,511

Construction Financing

Source	Amount
CalHFA	$5,600,000
HUD 223(A)(7)	$1,364,663
Rehab Period Income	$312,914
Tax Credit Equity	$822,000

Permanent Financing

Source	Amount
CalHFA	$4,165,000
HUD 223(A)(7)	$1,364,663
Rehab Period Income	$195,028
Deferred Developer Fee	$312,914
Tax Credit Equity	$2,741,223
TOTAL	**$8,778,828**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,497,942
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$3,315,434
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,847,325
Qualified Basis (Acquisition):	$3,315,434
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$183,796
Maximum Annual Federal Credit, Acquisition:	$109,409
Total Maximum Annual Federal Credit:	$293,205
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,019,136
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	$0.93492

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:	$7,813,376
Actual Eligible Basis:	$7,813,376
Unadjusted Threshold Basis Limit:	$19,595,558
Total Adjusted Threshold Basis Limit:	$27,433,782

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

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: Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. The required TCAC training for the general partner and management company must be completed and the certification of completion must be received by TCAC prior to the project's placing in service.

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**
$293,205	**$0**

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.

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 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.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 25% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project will provide solar hot water for all tenant who have individual water meters.