

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2016 Second Round**  
**September 21, 2016**

Fullerton Family Housing, located at 336 East Santa Fe Avenue in Fullerton, requested and is being recommended for a reservation of \$1,536,840 in annual federal tax credits to finance the new construction of 54 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Related Development Company of California, LLC and will be located in Senate District 29 and Assembly District 65.

**Project Number** CA-16-111

**Project Name** Fullerton Family Housing  
**Site Address:** 336 E. Santa Fe Avenue  
Fullerton, CA 92832 County: Orange  
**Census Tract:** 113.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,536,840	\$0
Recommended:	\$1,536,840	\$0

**Applicant Information**

**Applicant:** Fullerton Family Housing Partners, L.P.  
**Contact:** Frank Cardone  
**Address:** 18201 Von Karman Avenue, Suite 900  
Irvine, CA 92612  
**Phone:** (949) 660-7272 Fax: (949) 660-7273  
**Email:** fcardone@related.com

**General Partner(s) / Principal Owner(s):** Related/Fullerton Development Co., LLC  
FFAH V Fullerton FHP, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** The Related Companies of CA  
Foundation for Affordable Housing

**Developer:** Related Development Company of California, LLC

**Investor/Consultant:** Union Bank of California

**Management Agent(s):** Related Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 55  
 No. & % of Tax Credit Units: 54 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 6 10 %  
 40% AMI: 11 20 %  
 50% AMI: 22 40 %

**Information**

Set Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Orange County  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

5 SRO/Studio Units  
 22 1-Bedroom Units  
 14 2-Bedroom Units  
 14 3-Bedroom Units  


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 55 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	40%	40%	\$683
3 SRO/Studio	50%	50%	\$853
1 SRO/Studio	60%	60%	\$1,024
2 1 Bedroom	30%	30%	\$548
5 1 Bedroom	40%	40%	\$731
9 1 Bedroom	50%	50%	\$914
6 1 Bedroom	60%	60%	\$1,097
2 2 Bedrooms	30%	30%	\$658
2 2 Bedrooms	40%	40%	\$878
5 2 Bedrooms	50%	50%	\$1,097
4 2 Bedrooms	60%	60%	\$1,317
2 3 Bedrooms	30%	30%	\$760
3 3 Bedrooms	40%	40%	\$1,014
5 3 Bedrooms	50%	50%	\$1,267
4 3 Bedrooms	60%	60%	\$1,521
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$4,002,700
Construction Costs	\$13,404,977
Rehabilitation Costs	\$0
Construction Contingency	\$707,884
Relocation	\$0
Architectural/Engineering	\$1,845,000
Const. Interest, Perm. Financing	\$933,000
Legal Fees, Appraisals	\$260,000
Reserves	\$139,773
Other Costs	\$2,688,540
Developer Fee	\$2,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$25,981,874</b>

**Project Financing**

Estimated Total Project Cost:	\$25,981,874
Estimated Residential Project Cost:	\$25,981,874
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$229
Per Unit Cost:	\$472,398
True Cash Per Unit Cost*:	\$472,398

**Construction Financing**

Source	Amount
Union Bank	\$14,384,326
City of Fullerton	\$7,200,000
Deferred Operating Deficit Reserve	\$139,773
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$3,257,775

**Permanent Financing**

Source	Amount
Union Bank	\$2,493,000
City of Fullerton	\$7,200,000
Tax Credit Equity	\$16,288,874
<b>TOTAL</b>	<b>\$25,981,874</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,135,384
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,075,999
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,536,840
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Union Bank of California
Federal Tax Credit Factor:	\$1.05989

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:	\$13,135,384
Actual Eligible Basis:	\$19,381,997
Unadjusted Threshold Basis Limit:	\$10,535,588
Total Adjusted Threshold Basis Limit:	\$15,619,552

**Adjustments to Basis Limit**

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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

- New construction: project buildings are at least 15% 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

Environmental Mitigation

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>35.765%</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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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**

The applicant's estimate of contractor profit, overhead and general requirement costs slightly exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,536,840</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 fifteen 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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a public high school	3	3	3
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 15%	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>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>138</b>	<b>138</b>	<b>138</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.**