

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

Mission Cove Family II, located at 3251 Anchor Way and 3255, 3259, 3263, 3267, 3271 Sea Cove Way in Oceanside, requested and is being recommended for a reservation of \$1,405,281 in annual federal tax credits to finance the new construction of 59 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 National Community Renaissance of California and will be located in Senate District 76 and Assembly District 36.

Project Number CA-16-137

Project Name Mission Cove Family II
Site Address: 3251 Anchor Way, 3255, 3259, 3263, 3267, 3271 Sea Cove Way
Oceanside, CA 92054 County: San Diego
Census Tract: 185.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,405,281	\$0
Recommended:	\$1,405,281	\$0

Applicant Information

Applicant: Mission Cove Family II Housing, L.P.
Contact: Lesley Edwards
Address: 9421 Haven Avenue
Rancho Cucamonga, CA 91730
Phone: 909-483-2444 Fax: 909-483-2448
Email: ledwards@nationalcore.org

General Partner(s) / Principal Owner(s): Southern California Housing Development Corp.
of Orange County
General Partner Type: Nonprofit
Parent Company(ies): National Community Renaissance of California
Developer: National Community Renaissance of California
Investor/Consultant: Hudson Housing Capital
Management Agent(s): National Community Renaissance of California

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 6 10 %
 45% AMI: 18 30 %
 50% AMI: 21 35 %

Information

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

Unit Mix

35 2-Bedroom Units
 25 3-Bedroom Units

 60 Total Units

<u>Unit Type & 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>
3 2 Bedrooms	30%	27%	\$512
10 2 Bedrooms	45%	40%	\$768
12 2 Bedrooms	50%	45%	\$853
10 2 Bedrooms	60%	54%	\$1,024
3 3 Bedrooms	30%	26%	\$569
8 3 Bedrooms	45%	39%	\$853
9 3 Bedrooms	50%	43%	\$947
4 3 Bedrooms	60%	51%	\$1,138
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,445,887
Construction Costs	\$14,576,102
Rehabilitation Costs	\$0
Construction Contingency	\$747,101
Relocation	\$0
Architectural/Engineering	\$1,400,000
Const. Interest, Perm. Financing	\$1,065,726
Legal Fees, Appraisals	\$230,000
Reserves	\$182,484
Other Costs	\$2,398,011
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$27,445,311

Project Financing

Estimated Total Project Cost:	\$27,445,311
Estimated Residential Project Cost:	\$27,445,311
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$184
Per Unit Cost:	\$457,422
True Cash Per Unit Cost*:	\$370,291

Construction Financing

Source	Amount
Chase	\$15,535,000
City of Oceanside Loan	\$3,619,979
City of Oceanside Land Lease Value	\$5,000,000
Tax Credit Equity	\$2,275,509

Permanent Financing

Source	Amount
Chase	\$2,830,466
City of Oceanside Loan	\$3,619,979
City of Oceanside Land Lease Value	\$5,000,000
AHP	\$590,000
Deferred Developer Fee	\$227,832
Tax Credit Equity	\$15,177,034
TOTAL	\$27,445,311

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,010,948
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,614,232
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,405,281
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$1.08000

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:	\$12,010,948
Actual Eligible Basis:	\$18,493,625
Unadjusted Threshold Basis Limit:	\$16,508,800
Total Adjusted Threshold Basis Limit:	\$18,493,625

Adjustments to Basis Limit

- Seismic Upgrading
- Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	46.582%

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

This project is the second phase of a previously awarded application, Mission Cove Family I (CA-15-125). The owner intends to utilize the community space in Phase I for Phase II. TCAC requires an executed Joint-Use Agreement be provided in the Placed in Service submission.

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 Oceanside, 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
\$1,405,281	\$0

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.

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 ½ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ¾ mile of a public elementary school	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Licensed child care, available 20 hrs/week or more, M-F	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.