

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Rancho Verde Apartments, located at 10503 and 10587 Los Gatos Street in Ventura, requested and is being recommended for a reservation of \$799,658 in annual federal tax credits to finance the new construction of 23 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Housing Authority of the City of San Buenaventura and will be located in Senate District 19 and Assembly District 37.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-17-084

Project Name Rancho Verde Apartments
Site Address: 10503 and 10587 Los Gatos Street
Ventura, CA 93004 County: Ventura
Census Tract: 12.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$799,658	\$0
Recommended:	\$799,658	\$0

Applicant Information

Applicant: Homecomings, Inc.
Contact: Denise M. Wise
Address: 995 Riverside Street
Ventura, CA 93001
Phone: (805) 648-5008
Email: dwise@hacityventura.org

General Partner(s) / Principal Owner(s): Rancho Verde, LLC
General Partner Type: Nonprofit
Parent Company(ies): Housing Authority of the City of San Buenaventura
Developer: Housing Authority of the City of San Buenaventura
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Housing Authority of the City of San Buenaventura

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 11
 Total # of Units: 24
 No. & % of Tax Credit Units: 23 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 514 / USDA RHS 521 (23 units / 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 10 %
 45% AMI: 6 25 %
 50% AMI: 14 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Carmen Doonan

Unit Mix

4 1-Bedroom Units
 8 2-Bedroom Units
 11 3-Bedroom Units
 1 4-Bedroom Units

 24 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 3 Bedrooms	30%	30%	\$779
1 4 Bedrooms	30%	30%	\$869
1 1 Bedroom	45%	45%	\$843
3 2 Bedrooms	45%	45%	\$1,013
2 3 Bedrooms	45%	45%	\$1,168
3 1 Bedroom	50%	46%	\$862
4 2 Bedrooms	50%	46%	\$1,035
7 3 Bedrooms	50%	46%	\$1,194
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$946

Projected Lifetime Rent Benefit: \$13,103,640

Project Cost Summary at Application

Land and Acquisition	\$1,695,000
Construction Costs	\$6,914,463
Rehabilitation Costs	\$0
Construction Contingency	\$345,723
Relocation	\$0
Architectural/Engineering	\$458,600
Const. Interest, Perm. Financing	\$715,400
Legal Fees, Appraisals	\$100,000
Reserves	\$145,000
Other Costs	\$1,198,443
Developer Fee	\$1,026,500
Commercial Costs	\$0
Total	\$12,599,129

Project Financing

Estimated Total Project Cost:	\$12,599,129
Estimated Residential Project Cost:	\$12,599,129
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$256
Per Unit Cost:	\$524,964
True Cash Per Unit Cost*:	\$455,243

Construction Financing

Source	Amount
Wells Fargo Loan	\$8,373,079
Housing Authority Loan**	\$1,080,000
Seller Carryback Loan	\$1,600,000
Accrued Interest	\$73,300
Deferred Costs	\$683,250
Tax Credit Equity	\$900,000

Permanent Financing

Source	Amount
USDA Section 514 Loan	\$3,000,000
Housing Authority Loan**	\$1,080,000
Seller Carryback Loan	\$1,600,000
Accrued Interest	\$73,300
Tax Credit Equity	\$6,845,829
TOTAL	\$12,599,129

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

**Housing Authority Loan: Housing Authority of San Buenaventura.

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,834,684
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,885,089
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$799,658
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,026,500
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.85609

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$6,834,684
Actual Eligible Basis:	\$10,500,262
Unadjusted Threshold Basis Limit:	\$7,123,922
Total Adjusted Threshold Basis Limit:	\$8,218,658

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 tenant electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Use no irrigation at all, irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	61.906%

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, 3.23%. 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 requested and was granted a conditional waiver for the recreational facilities requirement for children ages 2-12 and 13-17 under TCAC Regulation Section 10325(g)(1)(D), provided that the four-acre park across the street is open at the time the project is placed in service. In the event that the park is not open by that time or does not provide "readily accessible recreational facilities," the project shall meet the requirement both for children ages 2-12 and 13-17 onsite.

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 Ventura, 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
\$799,658	\$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: N/A.

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 station or public bus stop	3	3	3
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 1/4 mile of a public elementary school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of:LEED	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
Smoke Free Residence	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.