

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

First Street Apartments, located at 1440 East 1st Street in Santa Ana, requested \$1,471,858 and is being recommended for a reservation of \$1,469,342 in annual federal tax credits (see "**Special Issues/Other Significant Information**" section) to finance the new construction of 68 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 AMCAL Enterprises Inc. and will be located in Senate District 34 and Assembly District 69.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-17-132

Project Name First Street Apartments
Site Address: 1440 East 1st Street
Santa Ana, CA 92701 County: Orange
Census Tract: 744.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,471,858	\$0
Recommended:	\$1,469,342	\$0

Applicant Information

Applicant: AMCAL Multi-Housing Two LLC
Contact: David Yarden
Address: 30141 Agoura Rd., Suite #100
Agoura Hills, CA 91301
Phone: (818) 706-0694 Fax: (818) 865-1813
Email: dyarden@amcalhousing.com

General Partner(s) / Principal Owner(s): AMCAL Multi-Housing Two LLC
Las Palmas Foundation
General Partner Type: Joint Venture
Parent Company(ies): AMCAL Multi-Housing Two LLC
Las Palmas Foundation
Developer: AMCAL Enterprises Inc.
Investor/Consultant: Hudson Housing Capital, LLC
Management Agent(s): FPI Management Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 69
 No. & % of Tax Credit Units: 68 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (8 units / 11%)
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 34 50 %
 50% AMI: 21 30 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Orange County
 TCAC Project Analyst: Carmen Doonan

Unit Mix

35 2-Bedroom Units
 28 3-Bedroom Units
 6 4-Bedroom Units

 69 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>
29 2 Bedrooms	30%	30%	\$704
4 2 Bedrooms	50%	50%	\$1,173
1 2 Bedrooms	60%	60%	\$1,408
4 3 Bedrooms	30%	30%	\$813
17 3 Bedrooms	50%	50%	\$1,356
7 3 Bedrooms	60%	60%	\$1,627
1 4 Bedrooms	30%	30%	\$907
5 4 Bedrooms	60%	60%	\$1,815
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$46,819,080

Project Cost Summary at Application

Land and Acquisition	\$5,994,405
Construction Costs	\$13,658,661
Rehabilitation Costs	\$0
Construction Contingency	\$716,593
Relocation	\$955,161
Architectural/Engineering	\$1,658,815
Const. Interest, Perm. Financing	\$1,431,282
Legal Fees, Appraisals	\$240,000
Reserves	\$214,053
Other Costs	\$2,772,655
Developer Fee	\$2,225,078
Commercial Costs	\$0
Total	\$29,866,703

Project Financing

Estimated Total Project Cost:	\$29,866,703
Estimated Residential Project Cost:	\$29,866,703
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$175
Per Unit Cost:	\$432,851
True Cash Per Unit Cost*:	\$432,851

Construction Financing

Source	Amount
JPMorgan Chase	\$17,362,862
City of Santa Ana	\$8,522,740
AMCAL Enterprises Inc.	\$1,062,539
Tax Credit Equity	\$2,943,716

Permanent Financing

Source	Amount
JPMorgan Chase Tranche A	\$5,179,500
JPMorgan Chase Tranche B	\$1,471,039
City of Santa Ana	\$8,522,740
Tax Credit Equity	\$14,693,424
TOTAL	\$29,866,703

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,558,527
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,326,086
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,469,342
Approved Developer Fee in Project Cost:	\$2,225,078
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Hudson Housing Capital, LLC
Federal Tax Credit Factor:	\$1.00000

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:	\$12,558,527
Actual Eligible Basis:	\$21,132,888
Unadjusted Threshold Basis Limit:	\$20,071,310
Total Adjusted Threshold Basis Limit:	\$21,402,015

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	44.188%

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

The applicant’s estimate of the contractor’s profit, overhead and general requirement costs exceed the limits established by TCAC Regulation. Staff adjusted such cost to the TCAC limit of 14%, which resulted in a reduction in basis and tax credit allocation amount. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit 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, the City of Santa Ana, 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
\$1,469,342	\$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, 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 a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a public high school within attendance boundary	3	3	3
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			
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 bdms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements o 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
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.