

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 First Round

June 8, 2016

Villa Encantada, located at 505 62nd Street and 504 63rd Street in San Diego, requested and is being recommended for a reservation of \$998,203 in annual federal tax credits to finance the new construction of 66 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 40 and Assembly District 79.

Project Number CA-16-070

Project Name Villa Encantada
Site Address: 505 62nd Street and 504 63rd Street
San Diego, CA 92114 County: San Diego
Census Tract: 30.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$998,203	\$0
Recommended:	\$998,203	\$0

Applicant Information

Applicant: AMCAL Multi-Housing Two, LLC
Contact: Arjun Nagarkatti
Address: 30141 Agoura Rd., Ste. #100
Agoura Hills CA 91301-4332
Phone: (818) 706-0694 Fax: (818) 865-1813
Email: arjun@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, Inc.
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: 1
 Total # of Units: 67
 No. & % of Tax Credit Units: 66 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 45% AMI: 17 25 %
 50% AMI: 27 40 %

Information

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

Unit Mix

45 2-Bedroom Units
 22 3-Bedroom Units

 67 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 2 Bedrooms	30%	30%	\$546
12 2 Bedrooms	45%	45%	\$820
19 2 Bedrooms	50%	50%	\$911
10 2 Bedrooms	60%	60%	\$1,093
3 3 Bedrooms	30%	30%	\$631
5 3 Bedrooms	45%	45%	\$947
8 3 Bedrooms	50%	50%	\$1,053
5 3 Bedrooms	60%	60%	\$1,263
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,692,677
Construction Costs	\$17,541,888
Rehabilitation Costs	\$0
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$1,198,118
Const Interest, Perm Financing	\$765,138
Legal Fees, Appraisals	\$140,000
Reserves	\$158,587
Other Costs	\$3,500,408
Developer Fee	\$1,399,999
Commercial Costs	\$167,380
Total	\$29,564,194

Project Financing

Estimated Total Project Cost:	\$29,564,194
Estimated Residential Project Cost:	\$29,396,814
Estimated Commercial Project Cost:	\$167,380

Residential

Construction Cost Per Square Foot:	\$180
Per Unit Cost:	\$438,758
Effective Per Unit Cost*:	\$389,486

Construction Financing

Source	Amount
JP Morgan Chase	\$12,942,610
SDHC - HOME/Inclusionary Funds	\$7,125,000
HCD - Infill Infrastructure Grant	\$3,050,575
MTS Land Donation	\$3,320,000
Deferred Developer Fee	\$909,999
Tax Credit Equity	\$2,216,010

Permanent Financing

Source	Amount
JP Morgan Chase	\$4,352,067
SDHC - HOME/Inclusionary Funds	\$7,500,000
HCD - Infill Infrastructure Grant	\$3,050,575
MTS Land Donation	\$3,320,000
Deferred Developer Fee	\$261,500
Tax Credit Equity	\$11,080,052
TOTAL	\$29,564,194

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,531,649
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,091,143
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$998,203
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,399,999
Investor/Consultant:	Hudson Housing Capital, LLC
Federal Tax Credit Factor:	\$1.11000

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:	\$8,531,649
Actual Eligible Basis:	\$23,257,568
Unadjusted Threshold Basis Limit:	\$18,026,624
Total Adjusted Threshold Basis Limit:	\$23,257,568

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:

- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	58.574%

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 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, the San Diego Housing Commission, 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
\$998,203	\$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 ten 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 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 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of a public elementary school	2	2	2
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 bdrms	3	3	3
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
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.