

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2016 First Round**

**June 8, 2016**

**REVISED**

Fullerton Heights, located at 1220 E. Orangethorpe Avenue in Fullerton, requested and is being recommended for a reservation of \$868,553 in annual federal tax credits and \$2,227,060 in total state tax credits to finance the new construction of 35 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by A Community of Friends and will be located in Senate District 29 and Assembly District 65.

The project will be receiving rental assistance in the form of MHSA-COSR through CalHFA. The project financing includes state funding from MHSA through CalHFA.

**Project Number** CA-16-073

**Project Name** Fullerton Heights  
Site Address: 1220 E. Orangethorpe Avenue  
Fullerton, CA 92831 County: Orange  
Census Tract: 1162.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$868,553	\$2,227,060
Recommended:	\$868,553	\$2,227,060

**Applicant Information**

Applicant: Fullerton Supportive Housing, L.P.  
Contact: Dora Leong Gallo  
Address: 3701 Wilshire Avenue, Suite 700  
Los Angeles, CA 90010  
Phone: 213-480-0809 Fax: 213-480-4189  
Email: dgallo@acof.org

General Partner(s) / Principal Owner(s): Supportive Housing, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): Supportive Housing, LLC  
Developer: A Community of Friends  
Investor/Consultant: National Equity Fund  
Management Agent(s): John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 36  
 No. & % of Tax Credit Units: 35 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A  
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 29 80 %  
 50% AMI: 6 15 %

**Information**

Set-Aside: Nonprofit (homeless assistance)  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless/formerly homeless and persons with physical, mental, development disabilities  
 % of Special Need Units: 24 units 68%  
 Geographic Area: Orange County  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

18 1-Bedroom Units  
 7 2-Bedroom Units  
 11 3-Bedroom Units  


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 36 Total Units

<u>Unit Type &amp; 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>
18 1 Bedroom	30%	15%	\$267
6 2 Bedrooms	30%	17%	\$367
5 3 Bedrooms	30%	30%	\$730
6 3 Bedrooms	50%	50%	\$1,218
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,272,770
Construction Costs	\$7,737,884
Rehabilitation Costs	\$0
Construction Contingency	\$423,163
Relocation	\$0
Architectural/Engineering	\$603,755
Construction Interest, Perm Financing	\$630,643
Legal Fees, Appraisals	\$100,626
Reserves	\$471,407
Other Costs	\$1,503,400
Developer Fee	\$1,700,000
Commercial Costs	\$1,203,188
<b>Total</b>	<b>\$16,646,836</b>

**Project Financing**

Estimated Total Project Cost:	\$16,646,836
Estimated Residential Project Cost:	\$15,333,774
Estimated Commercial Project Cost:	\$1,313,062

**Residential**

Construction Cost Per Square Foot:	\$223
Per Unit Cost:	\$425,938
Effective Per Unit Cost*:	\$425,938

**Construction Financing**

Source	Amount
Citibank	\$5,653,572
CalHFA - MHSA	\$3,150,000
City of Fullerton	\$2,500,000
Cost Deferred Until Completion	\$1,746,407
Tax Credit Equity	\$3,596,858

**Permanent Financing**

Source	Amount
Citibank	\$720,000
CalHFA - MHSA	\$3,150,000
City of Fullerton	\$2,500,000
Tax Credit Equity	\$10,276,836
<b>TOTAL</b>	<b>\$16,646,836</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$7,423,534
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$9,650,594
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$868,553
Total State Credit:	\$2,227,060
Approved Developer Fee in Project Cost:	\$1,700,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$1.01655
State Tax Credit Factor:	\$0.65000

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:	\$7,423,534
Actual Eligible Basis:	\$12,000,837
Unadjusted Threshold Basis Limit:	\$7,056,392
Total Adjusted Threshold Basis Limit:	\$9,539,682

**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:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- Community gardens of at least 60 square feet per unit
- 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:	<b>Special Needs</b>
Final:	<b>47.004%</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 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, City of Fullerton, 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**  
**\$868,553**

**State Tax Credits/Total**  
**\$2,227,060**

**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.

<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 ¼ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1.5 miles of a public high school and within attendance area	2	2	2
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements of: LEED	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.**