

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

QHA Homes I, located at Mesquite Subdivison Sapphire Lane in Winterhaven, requested and is being recommended for a reservation of \$1,257,285 in annual federal tax credits to finance the new construction of 44 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 Quechan Housing Authority and will be located in Senate District 40 and Assembly District 58.

The project will be receiving rental assistance in the form of NAHASDA Rental Subsidy.

Project Number CA-16-075

Project Name QHA Homes I
 Site Address: Mesquite Subdivison Sapphire Lane
 Winterhaven, CA 92283 County: Imperial
 Census Tract: 9400.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,257,285	\$0
Recommended:	\$1,257,285	\$0

Applicant Information

Applicant: QHA Homes Limited Partnership
 Contact: Agustin Tumbaga
 Address: 1860 Sapphire Lane
 Winterhaven, CA 92283
 Phone: (760) 572-0243 Fax: (760) 572-0245
 Email: atumbaga@quechanhousing.org

General Partner(s) / Principal Owner(s):	Quechan Housing Authority
General Partner Type:	Nonprofit
Parent Company(ies):	Quechan Housing Authority
Developer:	Quechan Housing Authority
Investor/Consultant:	RBC Capital Markets
Management Agent(s):	Quechan Housing Authority

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 36
 Total # of Units: 44
 No. & % of Tax Credit Units: 44 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: NAHASDA Rental Subsidy (44 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 40% AMI: 5 10 %
 50% AMI (Rural): 22 50 %

Information

Set-Aside: Rural (Native American apportionment)
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Zhuo Chen

Unit Mix

32 3-Bedroom Units
 12 4-Bedroom Units

 44 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>
3 3 Bedrooms	30%	28%	\$419
3 3 Bedrooms	40%	35%	\$514
10 3 Bedrooms	50%	35%	\$514
8 3 Bedrooms	50%	36%	\$526
8 3 Bedrooms	60%	36%	\$526
2 4 Bedrooms	30%	28%	\$469
2 4 Bedrooms	40%	34%	\$569
4 4 Bedrooms	50%	34%	\$569
4 4 Bedrooms	60%	34%	\$569

Project Cost Summary at Application

Land and Acquisition	\$0
Construction Costs	\$10,916,883
Rehabilitation Costs	\$0
Construction Contingency	\$419,391
Relocation	\$0
Architectural/Engineering	\$355,500
Construction Interest, Perm Financing	\$20,000
Legal Fees, Appraisals	\$15,000
Reserves	\$252,565
Other Costs	\$181,231
Developer Fee	\$1,399,999
Commercial Costs	\$0
Total	\$13,560,569

Project Financing

Estimated Total Project Cost:	\$13,560,569
Estimated Residential Project Cost:	\$13,560,569
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$171
Per Unit Cost:	\$308,195
Effective Per Unit Cost*:	\$308,195

Construction Financing

Source	Amount
Quechan Housing Authority	\$1,430,000
Solar Tax Credit Equity	\$187,555
Tax Credit Equity	\$11,943,014

Permanent Financing

Source	Amount
Quechan Housing Authority	\$1,430,000
Solar Tax Credit Equity	\$187,555
Tax Credit Equity	\$11,943,014
TOTAL	\$13,560,569

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,746,026
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,969,834
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,257,285
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,399,999
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.94991

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:	\$10,746,026
Actual Eligible Basis:	\$12,624,950
Unadjusted Threshold Basis Limit:	\$11,916,372
Total Adjusted Threshold Basis Limit:	\$15,014,628

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

- New construction: project buildings are at least 15% more energy efficient than 2013 Energy Efficiency Standards (CA Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Project meets all requirements of US EPA Indoor Air Plus Program.

Tie-Breaker Information

First:	Large Family
Final:	16.585%

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 requested and was granted a waiver from the manager unit requirements of Section 10325(f)(7)(J) of TCAC Regulations to allow Quechan Housing Authority's (QHA) existing housing office to fulfill the on-site, full-time property management staff requirement and to allow QHA's security service, which also serves two other subdivisions, to fulfill the after-hours security staff requirement, provided that QHA's office will be open full-time and that the security staff will have the emergency procedures knowledge described in TCAC Regulations.

The Applicant requested and was granted a waiver from the common area requirement of Section 10325(g)(1)(E) of TCAC Regulations to allow the community room to be built on a site not contiguous to the project site but within 1,000 feet of the entrance to the subdivision. The construction costs of the community area is excluded from basis.

General partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) are required to complete training as prescribed by TCAC prior to a project’s placing in service.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,257,285	\$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
Cost Efficiency	20	10	10
Public Funds	20	10	10
Owner / Management Characteristics	9	2	2
Management Experience	3	2	2
Housing Needs	10	10	10
Site Amenities*	15	15	N/A
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
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 15.0%	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
Enhanced Accessibility and Visitability	2	2	2
Total Points	138	131	116

*The Site Amenities point category was not scored pursuant to TCAC Regulations Section 10325(c)(5)(A).

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.