

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 Second Round
September 21, 2016

Walnut Street Family Apartments, located at 81 Charles Street, 765 Walnut Street, and 782 & 798 Moorpark Avenue in Moorpark, requested and is being recommended for a reservation of \$671,177 in annual federal tax credits to finance the new construction of 23 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Area Housing Authority of the County of Ventura and will be located in Senate District 27 and Assembly District 44.

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

Project Number CA-16-162

Project Name Walnut Street Family Apartments
Site Address: 81 Charles Street, 765 Walnut Street, and 782 & 798 Moorpark Avenue
Moorpark, CA 93021 County: Ventura
Census Tract: 76.130

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$671,177	\$0
Recommended:	\$671,177	\$0

Applicant Information

Applicant: Walnut24 LP
Contact: Michael Nigh
Address: 1400 West Hillcrest Drive
Newbury Park, CA 91320
Phone: (805) 480-9991 **Fax:** (805) 480-1021
Email: mnigh@ahacv.org

General Partner(s) / Principal Owner(s): Area Housing Authority of the County of Ventura
Many Mansions
General Partner Type: Nonprofit
Parent Company(ies): Area Housing Authority of the County of Ventura
Many Mansions
Developer: Area Housing Authority of the County of Ventura
Investor/Consultant: California Housing Partnership Corp.
Management Agent(s): Area Housing Authority of the County of Ventura
Many Mansions

Project Information

Construction Type: New Construction
 Total # Residential Buildings 2
 Total # of Units: 24
 No. & % of Tax Credit Units: 23 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (23 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 10 %
 45% AMI: 6 25 %
 50% AMI: 10 40 %

Information

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

Unit Mix

1 1-Bedroom Units
 15 2-Bedroom Units
 8 3-Bedroom Units

 24 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	45%	45%	\$788
2 2 Bedrooms	30%	30%	\$630
2 2 Bedrooms	45%	45%	\$946
7 2 Bedrooms	50%	48%	\$1,004
3 2 Bedrooms	60%	57%	\$1,205
1 3 Bedrooms	30%	30%	\$728
3 3 Bedrooms	45%	45%	\$1,092
3 3 Bedrooms	50%	46%	\$1,116
1 3 Bedrooms	60%	55%	\$1,339
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,882,764
Construction Costs	\$7,861,236
Rehabilitation Costs	\$0
Construction Contingency	\$415,000
Relocation	\$0
Architectural/Engineering	\$473,400
Const. Interest, Perm. Financing	\$617,650
Legal Fees, Appraisals	\$145,000
Reserves	\$115,245
Other Costs	\$2,087,613
Developer Fee	\$1,630,179
Commercial Costs	\$0
Total	\$17,228,087

Project Financing

Estimated Total Project Cost:	\$17,228,087
Estimated Residential Project Cost	\$17,228,087
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$249
Per Unit Cost:	\$717,837
True Cash Per Unit Cost*:	\$543,087

Construction Financing

Source	Amount
U.S. Bank	\$9,456,171
City of Moorpark - Seller Carryback	\$3,444,000
City of Moorpark - Fee Waiver	\$750,000
Ventura Housing Trust Fund	\$1,000,000
Ventura County - HOME	\$335,443
Costs Deferred Until Conversion	\$734,680
General Partner Equity	\$75
Administrative General Partner Equity	\$25
Tax Credit Equity	\$1,507,693

Permanent Financing

Source	Amount
U.S. Bank	\$1,164,000
U.S. Bank - Tranche B	\$2,180,000
City of Moorpark - Seller Carryback	\$3,444,000
City of Moorpark - Permanent Loan	\$1,250,000
City of Moorpark - Fee Waiver	\$750,000
Ventura County Housing Trust Fund	\$250,000
Ventura County - HOME	\$335,443
Area Housing Authority Loan	\$1,000,000
General Partner Equity	\$75
Administrative General Partner Equity	\$25
Tax Credit Equity	\$6,854,544
TOTAL	\$17,228,087

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,736,557
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$7,457,524
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$671,177
Approved Developer Fee in Project Cost:	\$1,630,179
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.02127

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:	\$5,736,557
Actual Eligible Basis:	\$12,267,859
Unadjusted Threshold Basis Limit:	\$6,736,230
Total Adjusted Threshold Basis Limit:	\$9,745,249

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient that current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	75.288%

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

Staff noted development costs are roughly \$717,837 per unit. The factors affecting this cost include the small size of the project, soil conditions, and relocating existing utilities from utility poles to underground utility connections.

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 Moorpark, 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
\$671,177	\$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: 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 (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of a public middle school within attendance boundary	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			
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			
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
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.