

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 First Round**

**June 13, 2018**

Ontario Emporia Family Apartments, located at a site bordered by Emporia Street, Fern Avenue, Holt Boulevard, and Vine Avenue in Ontario, requested a reservation of \$1,336,775 in annual federal tax credits and \$4,455,847 in total state tax credits but is being recommended for a reservation of \$1,336,755 in annual federal tax credits and \$4,450,985 in total state tax credits (see **Special Issues/Other Significant Information** section) to finance the new construction of 74 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 the Related Development Company of California, LLC and will be located in Senate District 20 and Assembly District 52.

**Project Number** CA-18-001

**Project Name** Ontario Emporia Family Apartments  
Site Address: Site bordered by Emporia St., Fern Ave., Holt Blvd., and Vine Ave.  
Ontario, CA 91762 County: San Bernardino  
Census Tract: 14.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,336,755	\$4,455,847
Recommended:	\$1,336,755	\$4,450,985

\* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

Applicant: Ontario Emporia Housing Partners, L.P.  
Contact: Frank Cardone  
Address: 18201 Von Karman Ave. Suite 900  
Irvine, CA 92612  
Phone: (949) 660-7272  
Email: fcardone@related.com

General Partner(s) / Principal Owner(s): Related/Ontario Emporia Development Co., LLC  
LBI Ontario Emporia, LLC  
General Partner Type: For Profit  
Parent Company(ies): The Related Companies of California, LLC  
LaBarge Industries, LLC  
Developer: Related Development Company of California, LLC  
Investor/Consultant: U.S. Bancorp Community Development Corporation  
Management Agent(s): Related Management Company

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 10  
Total # of Units: 75  
No. & % of Tax Credit Units: 74 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: N/A  
Utility Allowance: CUAC

**Information**

Set-Aside: N/A  
Housing Type: Large Family  
Geographic Area: Inland Empire Region  
TCAC Project Analyst: Jack Waegell

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>		<b>Percentage of</b>
<b>Number of Units</b>		<b>Affordable</b>
		<b>Units</b>
At or Below 30% AMI:	8	10%
At or Below 40% AMI:	12	15%
At or Below 50% AMI:	30	40%
At or Below 60% AMI:	24	30%

**Unit Mix**

13 1-Bedroom Units
39 2-Bedroom Units
20 3-BedroomUnits
3 4-Bedroom Units
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75 Total Units

<u>Unit Type &amp; 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>
1 1 Bedroom	30%	30%	\$363
2 1 Bedroom	40%	40%	\$484
6 1 Bedroom	50%	50%	\$605
4 1 Bedroom	60%	60%	\$726
4 2 Bedrooms	30%	30%	\$435
7 2 Bedrooms	40%	40%	\$581
16 2 Bedrooms	50%	50%	\$726
11 2 Bedrooms	60%	60%	\$871
2 3 Bedrooms	30%	30%	\$503
3 3 Bedrooms	40%	40%	\$671
7 3 Bedrooms	50%	50%	\$838
8 3 Bedrooms	60%	60%	\$1,006
1 4 Bedrooms	30%	30%	\$561
1 4 Bedrooms	50%	50%	\$936
1 4 Bedrooms	60%	60%	\$1,123
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$49,974,540

**Project Cost Summary at Application**

Land and Acquisition	\$5,380,977
Construction Costs	\$16,426,016
Rehabilitation Costs	\$0
Construction Contingency	\$905,350
Relocation	\$0
Architectural/Engineering	\$1,873,400
Const. Interest, Perm. Financing	\$798,000
Legal Fees, Appraisals	\$265,000
Reserves	\$127,824
Other Costs	\$4,144,671
Developer Fee	\$2,246,402
Commercial Costs	\$0
<b>Total</b>	<b>\$32,167,639</b>

**Residential**

Construction Cost Per Square Foot:	\$215
Per Unit Cost:	\$428,902
True Cash Per Unit Cost*:	\$428,902

**Construction Financing**

Source	Amount
U.S. Bancorp	\$1,586,124
U.S. Bank N.A.	\$13,632,289
Ontario Housing Authority - Loan	\$12,300,000
Ontario Housing Authority - Land Loan	\$3,400,000
Deferred Operating Deficit Reserve	\$127,824
Deferred Developer Fee	\$1,125,000

**Permanent Financing**

Source	Amount
U.S. Bank N.A.	\$610,000
Ontario Housing Authority-Loan	\$12,300,000
Ontario Housing Authority-Land Loan	\$3,400,000
Tax Credit Equity	\$15,857,639
<b>TOTAL</b>	<b>\$32,167,639</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$14,852,831
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$14,852,831
Applicable Rate:	9.00%
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,366,755
Total State Credit:	\$4,450,985
Approved Developer Fee in Project Cost:	\$2,246,402
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	U.S. Bancorp Community Development Corporation
Federal Tax Credit Factor:	\$0.93991
State Tax Credit Factor:	\$0.73993

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$14,852,831
Actual Eligible Basis:	\$23,816,013
Unadjusted Threshold Basis Limit:	\$21,793,604
Total Adjusted Threshold Basis Limit:	\$25,382,977

**Adjustments to Basis Limit**

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels  
Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>60.601%</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. 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.

**Significant Information / Additional Conditions**

The application excluded the ineligible basis for the parking spaces under regulation section 10327(c)(10) in the Sources and Uses Budget sheet instead of the application's Basis and Credit sheet where it should have been excluded. Staff adjusted accordingly. This resulted in a reduction to the project's maximum developer fee cost from \$2,250,000 to \$2,246,402, a reduction of \$3,598, and a reduction to the total state tax credits necessary for feasibility from the requested \$4,455,847 to the TCAC recommended reservation of \$4,450,985, or a reduction of \$4,862 in total state tax credits.

**Resyndication and Resyndication Transfer Event:** None.

**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 Ontario, has completed a site review of this project and strongly supports this project.

**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)(5) 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<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 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 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 1.5 miles of a public high school that project children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 6 hours/week	3	3	3
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated	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 Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</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.**