

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2018 First Round
June 13, 2018

Casa Imperial, located at 1051 Adler Avenue in Calexico, requested and is being recommended for a reservation of \$855,705 in annual federal tax credits and \$2,932,688 in total state tax credits to finance the acquisition and rehabilitation of 47 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Horizon Development Consulting, LLC and is located in Senate District 40 and Assembly District 56.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-060

Project Name Casa Imperial
Site Address: 1051 Adler Avenue
 Calexico, CA 92231 County: Imperial
Census Tract: 122.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$855,705	\$2,932,688
Recommended:	\$855,705	\$2,932,688

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

Applicant Information

Applicant: Horizon Development Consulting, LLC
Contact: Keith Stanley
Address: 2030 Main Street, Suite 1300
 Irvine, CA 92614
Phone: (949) 260-4998
Email: Keith.Stanley@horizondev.com

General Partner(s) / Principal Owner(s): Horizon Development Consulting, LLC
 AOF/Pacific Affordable Housing Corporation

General Partner Type: Joint Venture

Parent Company(ies): Horizon Development Consulting, LLC
 The American Opportunity Foundation, Inc.

Developer: Horizon Development Consulting, LLC

Investor/Consultant: RBC Tax Credit Equity, LLC

Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 8
 Total # of Units: 48
 No. & % of Tax Credit Units: 47 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (47 Units - 100%) /
 USDA RHS 515

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
At or Below 30% AMI: 5	10%
At or Below 35% AMI: 5	10%
At or Below 40% AMI: 5	10%
At or Below 50% AMI: 12	25%
At or Below 60% AMI: 20	40%

Unit Mix

16 1-Bedroom Units
16 2-Bedroom Units
16 3-BedroomUnits
<u>48 Total Units</u>

<u>Unit Type & Number</u>	<u>2017 Rents Targeted</u> <u>% of Area Median</u> <u>Income</u>	<u>2017 Rents Actual</u> <u>% of Area Median</u> <u>Income</u>	<u>Proposed</u> <u>Rent</u> <u>(including</u> <u>utilities)</u>
1 1 Bedroom	30%	30%	\$337
5 1 Bedroom	35%	35%	\$393
5 1 Bedroom	40%	40%	\$450
5 1 Bedroom	50%	50%	\$562
2 2 Bedrooms	30%	30%	\$405
7 2 Bedrooms	50%	50%	\$675
6 2 Bedrooms	60%	60%	\$810
2 3 Bedrooms	30%	30%	\$467
14 3 Bedrooms	60%	60%	\$934
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$17,227,320

Project Cost Summary at Application

Land and Acquisition	\$5,040,000
Construction Costs	\$0
Rehabilitation Costs	\$5,526,200
Construction Contingency	\$555,620
Relocation	\$142,000
Architectural/Engineering	\$110,000
Const. Interest, Perm. Financing	\$707,000
Legal Fees, Appraisals	\$160,000
Reserves	\$697,991
Other Costs	\$521,168
Developer Fee	\$1,609,887
Commercial Costs	\$0
Total	\$15,069,866

Residential

Construction Cost Per Square Foot:	\$144
Per Unit Cost:	\$313,956
True Cash Per Unit Cost*:	\$292,289

Construction Financing

Source	Amount
U.S. Bank	\$10,000,000
USDA 515 Loan (Assumed)	\$957,357
Land Donation	\$1,040,000
Deferred Developer Fee	\$1,058,310
Tax Credit Equity	\$2,014,199

Permanent Financing

Source	Amount
U.S. Bank	\$2,700,000
USDA 515 Loan (Assumed)	\$957,357
Land Donation	\$1,040,000
Existing Reserves	\$131,396
Income from Operations	\$170,118
Tax Credit Equity	\$10,070,995
TOTAL	\$15,069,866

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,168,830
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,708,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,168,830
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$3,708,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$735,195
Maximum Annual Federal Credit, Acquisition:	\$120,510
Total Maximum Annual Federal Credit:	\$855,705
Total State Credit:	\$2,932,688
Approved Developer Fee in Project Cost:	\$1,609,887
Approved Developer Fee in Eligible Basis:	\$1,256,744
Investor/Consultant:	RBC Tax Credit Equity, LLC
Federal Tax Credit Factor:	\$0.91991
State Tax Credit Factor:	\$0.74993

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:	\$11,876,830
Actual Eligible Basis:	\$11,876,830
Unadjusted Threshold Basis Limit:	\$13,609,952
Total Adjusted Threshold Basis Limit:	\$13,609,952

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	At-Risk
Final:	36.228%

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, 3.25%. 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 at-risk project has a pre-existing HUD Section 8 HAP contract on 100% of the low income units. The contract is on a 5 year renewal basis with a December renewal date. To preserve affordability, HUD has committed to approve an Assignment, Assumption and Amendment of Section 8 Housing Assistance Payments Contract to the applicant, as well as execute an early termination of the HAP Contract to enter into a 20-year renewal upon closing.

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 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.

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.

Points System	Max. Possible	Requested Points	Points Awarded
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 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 0.5 miles of a public middle school	3	3	3
Within 2 miles of a pharmacy	1	1	1
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
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

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.