

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

Della Rosa, located at 14800 Beach Boulevard in Westminster, requested \$1,195,801 in annual federal tax credits and \$3,853,696 in total state tax credits, but is being recommended for a reservation of \$1,192,337 in annual federal tax credits and \$3,853,696 in total state tax credits (see "**Significant Information / Additional Conditions**" section) to finance the new construction of 49 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 Affirmed Housing Group, Inc. and will be located in Senate District 34 and Assembly District 72.

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

**Project Number** CA-18-100

**Project Name** Della Rosa  
**Site Address:** 14800 Beach Boulevard  
Westminster, CA 92683 County: Orange  
**Census Tract:** 997.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,195,801	\$3,853,696
Recommended:	\$1,192,337	\$3,853,696

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

**Applicant Information**

**Applicant:** Westminster Special Needs Housing, L.P.  
**Contact:** Melody Lock  
**Address:** 13520 Evening Creek Drive, Suite 160  
San Diego, CA 92128  
**Phone:** 858-679-2459  
**Email:** melody@affirmedhousing.com

**General Partner(s) / Principal Owner(s):** AHG Della Rosa, LLC  
Nexus MGP LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Affirmed Housing  
Nexus for Affordable Housing

**Developer:** Affirmed Housing Group, Inc.

**Investor/Consultant:** Enterprise

**Management Agent(s):** Solari Enterprises

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 3  
 Total # of Units: 50  
 No. & % of Tax Credit Units: 49 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project Based Vouchers (25 units - 50%) / HOME

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless / Formerly Homeless  
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.57%  
 % of Special Need Units: 25 units 50%  
 Geographic Area: Orange County  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

	<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	25	50%
At or Below 50% AMI:	24	40%

**Unit Mix**

25 SRO/Studio Units
20 1-Bedroom Units
5 2-Bedroom Units
50 Total Units

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
25 SRO/Studio	30%	30%	\$574
2 1 Bedroom	30%	30%	\$615
1 2 Bedrooms	30%	30%	\$738
18 1 Bedroom	50%	50%	\$1,025
3 2 Bedrooms	50%	50%	\$1,230
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$19,194,780

**Project Cost Summary at Application**

Land and Acquisition	\$2,329,473
Construction Costs	\$10,625,000
Rehabilitation Costs	\$0
Construction Contingency	\$531,000
Relocation	\$150,000
Architectural/Engineering	\$1,000,000
Const. Interest, Perm. Financing	\$1,164,100
Legal Fees, Appraisals	\$209,000
Reserves	\$368,000
Other Costs	\$1,204,750
Developer Fee	\$1,755,701
Commercial Costs	\$0
<b>Total</b>	<b>\$19,337,024</b>

**Residential**

Construction Cost Per Square Foot:	\$282
Per Unit Cost:	\$386,740
True Cash Per Unit Cost*:	\$386,740

**Construction Financing**

Source	Amount
JP Morgan Chase	\$12,166,672
City of Westminster	\$2,100,000
Tax Credit Equity	\$5,077,513

**Permanent Financing**

Source	Amount
CCRC - Tranche B	\$1,740,000
City of Westminster Funds	\$2,100,000
County of Orange - HOME	\$1,166,400
Tax Credit Equity	\$14,330,624
<b>TOTAL</b>	<b>\$19,337,024</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,248,191
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$13,248,191
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,192,337
Total State Credit:	\$3,890,944
Approved Developer Fee in Project Cost:	\$1,755,701
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Enterprise
Federal Tax Credit Factor:	\$0.97020
State Tax Credit Factor:	\$0.71000

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:	\$13,248,191
Actual Eligible Basis:	\$15,494,600
Unadjusted Threshold Basis Limit:	\$10,822,230
Total Adjusted Threshold Basis Limit:	\$13,248,192

**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  
Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>32.628%</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, 3.25%. 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**

In determining the adjusted threshold basis limit, the applicant did not properly document impact fees in the amount of \$38,484. TCAC staff reduced the threshold basis limit increase from \$300,000 to \$261,516, which increased the high cost percentage and as a result the maximum developer fee is \$1,755,701. This resulted in a reduction to the annual federal tax credit amount from \$1,195,801 to \$1,192,337.

**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 Westminster, 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 minutes in rush hours	6	6	6
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
<b>SPECIAL NEEDS HOUSING TYPE</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	0	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 600 bdrms	3	3	0
<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: GreenPoint Rated Program	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>
State Credit Substitution	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.**