

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Day Creek Villas, located at the terminus of Firehouse Court in Rancho Cucamonga, requested and is being recommended for a reservation of \$2,137,988 in annual federal tax credits to finance the new construction of 78 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by National Community Renaissance of California and will be located in Senate District 23 and Assembly District 40.

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

Project Number CA-18-130

Project Name Day Creek Villas
Site Address: Terminus of Firehouse Court
Rancho Cucamonga, CA 91739 County: San Bernardino
Census Tract: 20.330

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,137,988	\$0
Recommended:	\$2,137,988	\$0

Applicant Information

Applicant: Day Creek Senior Housing Partners, L.P.
Contact: Ashley Wright
Address: 9421 Haven Avenue
Rancho Cucamonga, CA 91730
Phone: (909) 483-2444
Email: awright@nationalcore.org

General Partner(s) / Principal Owner(s):	Day Creek Senior Housing Partners MGP, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	National Community Renaissance of California
Developer:	National Community Renaissance of California
Investor/Consultant:	Hudson Housing Capital
Management Agent(s):	National Community Renaissance of California

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 94
 No. & % of Tax Credit Units: 78 84%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project Based Vouchers (8 units - 10%) / HOME
 Utility Allowance: CUAC

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Inland Empire Region
 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: 15	15%
At or Below 45% AMI: 34	40%
At or Below 50% AMI: 44	40%
At or Below 60% AMI: 31	35%

Unit Mix

88 1-Bedroom Units
 6 2-Bedroom Units

 94 Total Units

<u>Unit Type & 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>
14 1 Bedroom	30%	30%	\$379
31 1 Bedroom	45%	45%	\$569
26 1 Bedroom	50%	50%	\$632
2 1 Bedroom	60%	60%	\$759
1 2 Bedrooms	30%	29%	\$444
3 2 Bedrooms	45%	44%	\$666
1 2 Bedrooms	60%	49%	\$740
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
15 1 Bedroom	Market Rate Unit	Market Rate Unit	\$543

TCAC-confirmed Projected Lifetime Rent Benefit: \$58,835,040

Project Cost Summary at Application

Land and Acquisition	\$6,180,777
Construction Costs	\$17,279,608
Rehabilitation Costs	\$0
Construction Contingency	\$868,987
Relocation	\$0
Architectural/Engineering	\$772,143
Const. Interest, Perm. Financing	\$1,124,372
Legal Fees, Appraisals	\$215,000
Reserves	\$181,471
Other Costs	\$2,408,150
Developer Fee	\$2,400,000
Commercial Costs	\$0
Total	\$31,430,508

Residential

Construction Cost Per Square Foot:	\$182
Per Unit Cost:	\$334,367
True Cash Per Unit Cost*:	\$319,274

Construction Financing

Source	Amount
JP Morgan Chase	\$16,760,000
City of Rancho Cucamonga - Land	\$6,443,437
City of Rancho Cucamonga	\$1,891,198
FHLB AHP	\$930,000
IEHP Loan**	\$1,318,991
Tax Credit Equity	\$4,086,096

Permanent Financing

Source	Amount
JP Morgan Chase	\$2,251,180
City of Rancho Cucamonga - Land	\$6,443,437
FHLB AHP	\$930,000
IEHP Loan**	\$1,197,521
Deferred Developer Fee	\$83,684
Tax Credit Equity	\$20,524,686
TOTAL	\$31,430,508

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

**IEHP - Inland Empire Health Plan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,787,519
130% High Cost Adjustment:	Yes
Applicable Fraction:	83.87%
Qualified Basis:	\$23,791,915
Applicable Rate:	9.00%
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$2,137,988
Approved Developer Fee in Project Cost:	\$2,400,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.96000

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:	\$21,787,519
Actual Eligible Basis:	\$23,687,519
Unadjusted Threshold Basis Limit:	\$21,601,232
Total Adjusted Threshold Basis Limit:	\$27,646,748

Adjustments to Basis Limit

Local Development Impact Fees
 95% of Upper Floor Units are Elevator-Serviced
 Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Seniors
Final:	65.240%

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

This 140 unit application was submitted as a hybrid application serving seniors. The project is comprised of a 9% component (CA-18-130) consisting of 78 low-income units, a manager unit, and 15 Market Rate units and a 4% component (CA-18-775) consisting of 46 low-income units. All units in the project will have access to a community center, fitness center, swimming pool, outdoor courtyards, and social service programs. Prior to the start of construction, all necessary agreements shall be in place to ensure that the 4% component has sufficient property management and access to the required community spaces. A Joint Use Agreement shall be provided in the placed in service submission.

The applicant’s estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum. Pursuant to TCAC Regulations 10327(a), the shortage of sources for the 3-month operating reserve is within the \$50,000 limit allowed by TCAC to be deemed an application error which shall be covered by the project's contingency line item. The applicant must correct the 3-month operating reserve in the readiness submission.

The project's pro forma shows cash flow after debt service exceeding limits established by TCAC Regulations. Pursuant to TCAC Regulations 10327(g), the overage of cash flow is within the \$5,000 limit allowed by Committee for applicants to correct cash flow at placed in service. The applicant must correct the cash flow overage in the readiness submission.

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 Rancho Cucamonga, 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.

Points System	Max. Possible Points	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 ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	52	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
Smoke Free Residence	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.