

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
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 \$539,346 in annual federal tax credits to finance the new construction of 46 units of housing serving seniors with rents affordable to households earning 50-60% 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.

Project Number CA-18-775

Project Name Day Creek Villas
Site Address: Terminus of Firehouse Court
Rancho Cucamonga, CA 91739 County: San Bernardino
Census Tract: 20.33

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$539,346	\$0
Recommended:	\$539,346	\$0

Applicant Information

Applicant: National Community Renaissance of California
Contact: Zoe Kranemann
Address: 9421 Haven Avenue
Rancho Cucamonga, CA 91730
Phone: (909) 204-3462
Email: zkranemann@nationalcore.org

General Partner or Principal Owner(: National Community Renaissance of California
General Partner Type: Nonprofit Orgainzation
Parent Company: National Community Renaissance of California
Developer: National Community Renaissance of California
Investor/Consultant: Hudson Housing Capital
Management Agent: National Community Renaissance of California

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 46
 No. / % of Low Income Units: 46 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 Utility Allowance: CUAC

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: October 17, 2018

Information

Housing Type: Seniors
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 17	37%
At or Below 60% AMI: 29	63%

Unit Mix

43 1-Bedroom Units
3 2-Bedroom Units
46 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15 1 Bedroom	50%	50%	\$632
28 1 Bedroom	60%	60%	\$759
2 2 Bedrooms	50%	49%	\$740
1 2 Bedrooms	60%	59%	\$888

TCAC-confirmed Projected Lifetime Rent Benefit: \$30,069,600

Project Cost Summary at Application

Land and Acquisition	\$3,024,635
Construction Costs	\$8,455,976
Rehabilitation Costs	\$0
Construction Contingency	\$425,249
Relocation	\$0
Architectural/Engineering	\$377,857
Const. Interest, Perm. Financing	\$737,583
Legal Fees, Appraisals	\$215,000
Reserves	\$94,675
Other Costs	\$1,143,873
Developer Fee	\$1,650,000
Commercial Costs	\$0
Total	\$16,124,848

Residential

Construction Cost Per Square Foot:	\$183
Per Unit Cost:	\$350,540
True Cash Per Unit Cost*:	\$348,915

Construction Financing

Source	Amount
JP Morgan Chase	\$9,240,000
City of Rancho Cucamonga - Land	\$1,256,563
City of Rancho Cucamonga	\$3,808,802
FHLB AHP Loan	\$460,000
IEHP Loan**	\$199,065
Deferred Costs	\$121,773
Tax Credit Equity	\$1,038,712

Permanent Financing

Source	Amount
JP Morgan Chase	\$1,737,697
City of Rancho Cucamonga - Land	\$1,256,563
City of Rancho Cucamonga	\$5,700,000
FHLB AHP	\$460,000
IEHP Loan**	\$302,479
General Partner Equity	\$1,415,627
Deferred Developer Fee	\$74,758
Tax Credit Equity	\$5,177,724
TOTAL	\$16,124,848

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

**IEHP - Inland Empire Health Plan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,687,513
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,493,767
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$539,346
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,650,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.96000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$12,687,513
Actual Eligible Basis:	\$12,687,513
Unadjusted Threshold Basis Limit:	\$11,965,094
Total Adjusted Threshold Basis Limit:	\$19,509,827

Adjustments to Basis Limit

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 36%

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 3.27% 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

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 after debt service in the readiness submission.

Resyndication and Resyndication Transfer Event: None.

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

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 reservation 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.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year off-site within 1/2 mile

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL