

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Imperial Garden and Calexico Senior Apartments, located at 1630 and 1639 Rockwood Avenue in Calexico, requested \$790,269 in annual federal tax credits but is being recommended, if the Committee approves the pending appeal, for a reservation of \$725,043 in annual federal tax credits (see **Significant Information / Additional Conditions** section) to finance the acquisition and rehabilitation of 86 units of housing serving large families and seniors with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 40 and Assembly District 56.

Imperial Garden and Calexico Senior Apartments is a re-syndication of existing Low Income Housing Tax Credit (LIHTC) projects, Imperial Gardens (CA-97-213) and Calexico Senior Apartments (CA-92-002). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-18-101

Project Name Imperial Garden & Calexico Senior Apartments

Site Address: 1630 and 1639 Rockwood Avenue
Calexico, CA 92231 County: Imperial

Census Tract: 121.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$790,269	\$0
Recommended only if the Committee approves the pending appeal:	\$725,043	\$0

Applicant Information

Applicant: Calexico Properties, LP
Contact: Ronald D. Bettencourt
Address: 531 Mill Road
Auburn, CA 95604
Phone: 805.439.0328
Email: whitecapcoastal@sbcglobal.net

General Partner(s) / Principal Owner(s): Bettencourt Properties, Inc.
The Beneficial Housing Foundation

General Partner Type: Joint Venture

Parent Company(ies): Bettencourt Properties, Inc.
The Beneficial Housing Foundation

Developer: Community Preservation Partners, LLC

Investor/Consultant: WNC & Associates, Inc.

Management Agent(s): AWI Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 10
 Total # of Units: 88
 No. & % of Tax Credit Units: 86 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 515 / USDA RHS 521 Rental Assistance (84 units - 97%)

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 11	10%
At or Below 40% AMI: 13	15%
At or Below 50% AMI: 35	40%
At or Below 60% AMI: 27	30%

Unit Mix

45 1-Bedroom Units
 25 2-Bedroom Units
 16 3-Bedroom Units
 2 4-Bedroom Units

 88 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>
4 1 Bedroom	30%	30%	\$336
6 1 Bedroom	40%	40%	\$448
15 1 Bedroom	50%	50%	\$560
12 1 Bedroom	60%	60%	\$672
1 1 Bedroom	30%	30%	\$336
1 1 Bedroom	40%	40%	\$448
3 1 Bedroom	50%	50%	\$560
3 1 Bedroom	60%	60%	\$672
3 2 Bedrooms	30%	30%	\$403
4 2 Bedrooms	40%	40%	\$538
10 2 Bedrooms	50%	50%	\$672
7 2 Bedrooms	60%	60%	\$807
2 3 Bedrooms	30%	30%	\$465
2 3 Bedrooms	40%	40%	\$621
6 3 Bedrooms	50%	50%	\$776
5 3 Bedrooms	60%	60%	\$931
1 4 Bedrooms	30%	30%	\$519
1 4 Bedrooms	50%	50%	\$866
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$15,970,680

Project Cost Summary at Application

Land and Acquisition	\$4,857,988
Construction Costs	\$0
Rehabilitation Costs	\$4,711,872
Construction Contingency	\$404,800
Relocation	\$45,000
Architectural/Engineering	\$322,000
Const. Interest, Perm. Financing	\$433,813
Legal Fees, Appraisals	\$234,000
Reserves	\$517,000
Other Costs	\$356,610
Developer Fee	\$936,537
Commercial Costs	\$0
Total	\$12,819,620

Residential

Construction Cost Per Square Foot:	\$68
Per Unit Cost:	\$145,678
True Cash Per Unit Cost*:	\$137,021

Construction Financing

Source	Amount
Rabobank, N.A.	\$5,750,000
USDA RHS 515 (Assumed)	\$4,095,671
Existing Reserves	\$519,437
Deferred Developer Fee	\$761,785
Tax Credit Equity	\$2,279,760

Permanent Financing

Source	Amount
Bonneville Mortgage Company	\$1,500,000
USDA RHS 515 (Assumed)	\$4,095,671
Existing Reserves	\$519,437
Deferred Developer Fee	\$179,122
Tax Credit Equity	\$6,525,390
TOTAL	\$12,819,620

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,755,114
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,781,648
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$725,043
Approved Developer Fee (in Project Cost & Eligible Basis):	\$936,537
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.90000

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:	\$6,755,114
Actual Eligible Basis:	\$9,725,677
Unadjusted Threshold Basis Limit:	\$23,430,266
Total Adjusted Threshold Basis Limit:	\$23,430,266

Adjustments to Basis Limit: None

Tie-Breaker Information

First:	Seniors
Final:	65.848%

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 project involves the rehabilitation of two scattered sites in the city of Calexico with different housing types, large family (Imperial Garden) and senior (Calexico Senior Apartments).

This project is a re-syndication of two existing tax credit projects and is therefore not eligible for acquisition basis. As a result, TCAC staff calculated the developer fee entirely from the rehabilitation basis resulting in a total developer fee of \$936,537 in cost and basis.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume existing Regulatory Agreement (CA-92-002) and existing Regulatory Agreement (CA-97-213). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreements and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under existing Regulatory Agreement (CA-92-002) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered") and existing Regulatory Agreement (CA-97-213) is a qualified low-income household for the subsequent allocation (existing household eligibility is

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

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

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	4
Site Amenities	15	15	15
Within 1/8 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	4
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	0
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	0
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	101

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.