

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Villa de Vida Poway, located at 12341 Oak Knoll Road, No. 50 in Poway, requested and is being recommended for a reservation of \$1,973,234 in annual federal tax credits to finance the new construction of 53 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 38 and Assembly District 77.

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

Project Number CA-18-069

Project Name Villa de Vida Poway
Site Address: 12341 Oak Knoll Road, No. 50
Poway, CA 92064 County: San Diego
Census Tract: 170.420

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,973,234	\$0
Recommended:	\$1,973,234	\$0

Applicant Information

Applicant: Villa De Vida Poway, L.P.
Contact: Erika Villablanca
Address: 1500 S. Grand Avenue
Los Angeles, CA 90015
Phone: 213-743-5826
Email: evillablanca@mercyhousing.org

General Partner(s) / Principal Owner(s): Mercy Housing Calwest
Villa de Vida Inc.

General Partner Type: Nonprofit

Parent Company(ies): Mercy Housing California
Villa de Vida Inc.

Developer: Mercy Housing California

Investor/Consultant: California Housing Partnership Corporation

Management Agent(s): Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 54
 No. & % of Tax Credit Units: 53 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (53 units / 100%)

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Persons with physical, mental, development disabilities
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 % of Special Need Units: 40 units 75%
 Geographic Area: San Diego County
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 7	10%
At or Below 40% AMI: 26	45%
At or Below 50% AMI: 9	15%
At or Below 60% AMI: 11	20%

Unit Mix

51 1-Bedroom Units
 3 2-Bedroom Units

 54 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>
6 1 Bedroom	30%	30%	\$547
1 2 Bedrooms	30%	30%	\$657
25 1 Bedroom	40%	40%	\$730
1 2 Bedrooms	40%	40%	\$876
6 1 Bedroom	50%	50%	\$913
1 2 Bedrooms	50%	42%	\$920
2 1 Bedroom	50%	50%	\$913
11 1 Bedroom	60%	54%	\$982
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$22,849,860

Project Cost Summary at Application

Land and Acquisition	\$2,858,947
Construction Costs	\$13,736,741
Rehabilitation Costs	\$0
Construction Contingency	\$1,387,069
Relocation	\$0
Architectural/Engineering	\$884,163
Const. Interest, Perm. Financing	\$1,597,389
Legal Fees, Appraisals	\$75,000
Reserves	\$1,903,347
Other Costs	\$2,281,112
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$26,723,768

Residential

Construction Cost Per Square Foot:	\$220
Per Unit Cost:	\$494,885
True Cash Per Unit Cost*:	\$483,773

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$18,398,842
City of Poway Housing Authority	\$3,400,000
Developer Loan	\$1,702,592
Deferred Costs	\$922,235
Deferred Developer Fee	\$600,000
General Partner Equity	\$100
Tax Credit Equity	\$1,700,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$2,620,000
City of Poway Housing Authority	\$3,450,000
Developer Loan	\$1,702,592
Deferred Developer Fee	\$600,000
General Partner Equity	\$100
Tax Credit Equity	\$18,351,076
TOTAL	\$26,723,768

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,004,802
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,106,243
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,973,234
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.93000

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:	\$17,004,802
Actual Eligible Basis:	\$20,675,948
Unadjusted Threshold Basis Limit:	\$12,388,314
Total Adjusted Threshold Basis Limit:	\$18,997,302

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

Tie-Breaker Information

First: **Special Needs**
Final: **40.723%**

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: None.

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 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, service every 30 minutes in rush hours	6	6	6
Residents provided free or discounted transit passes, 1 pass per 2 units	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
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 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	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
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.