CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Ontario Townhouses, located at 1360 East D Street in Ontario, requested and is being recommended for a reservation of $1,224,254 in annual federal tax credits to finance the acquisition and rehabilitation of 85 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by NFAHS Development LLC and is located in Senate District 20 and Assembly District 52.

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

Project Number CA-18-627

Project Name Ontario Townhouses
Site Address: 1360 East D Street
Ontario, CA 91764 County: San Bernardino
Census Tract: 0015.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,224,254	$0
Recommended:	$1,224,254	$0

Applicant Information
Applicant: Ontario TH Renewal L.P.
Contact: Todd Travis
Address: 11810 Grand Park Avenue, Suite 600
North Bethesda, MD 20852
Phone: 301-998-0401
Email: ttravis@nfahs.org

General Partner(s) or Principal Owner(s): Ontario TH Manager LLC
General Partner Type: Joint Venture
Parent Company(ies): Renewal Housing, Inc.
Developer: NFAHS Development LLC
Investor/Consultant: The Richman Group Affordable Housing Corp.
Management Agent: Barker Management, Incorporated

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 15
Total # of Units: 86
No. / % of Low Income Units: 85 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (85 units / 100%)

Bond Information

Issuer:	City of Ontario
Expected Date of Issuance:	December 1, 2018

Information

Housing Type:	Large Family
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	26	31%
At or Below 60% AMI:	59	69%

Unit Mix

48	2-Bedroom Units
38	3-Bedroom Units
86	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
35	2 Bedrooms	60%	60%	$910
13	2 Bedrooms	50%	50%	$758
24	3 Bedrooms	60%	60%	$1,051
13	3 Bedrooms	50%	50%	$876
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $41,808,360

Project Cost Summary at Application	
Land and Acquisition	$27,000,000
Construction Costs	$0
Rehabilitation Costs	$4,981,813
Construction Contingency	$484,657
Relocation	$86,000
Architectural/Engineering	$87,000
Const. Interest, Perm. Financing	$2,051,133
Legal Fees, Appraisals	$338,000
Reserves	$540,509
Other Costs	$273,744
Developer Fee	$4,606,792
Commercial Costs	$0
Total	**$40,449,647**

Residential	
Construction Cost Per Square Foot:	$59
Per Unit Cost:	$470,345
True Cash Per Unit Cost*:	$429,540

Construction Financing

Source	Amount
City of Ontario Tax-Exempt Bonds	$23,340,000
EB Affordable Housing Financing, LLC	$6,500,000

Permanent Financing

Source	Amount
Greystone Servicing Corporation	$23,340,000
Interim Income	$1,466,047
CDLAC Performance Deposit	$100,000
Deferred Developer Fee	$3,545,911
Tax Credit Equity	$11,997,689
TOTAL	**$40,449,647**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$7,079,883
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$28,238,852
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,203,848
Qualified Basis (Acquisition):	$28,238,852
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$300,844
Maximum Annual Federal Credit, Acquisition:	$923,410
Total Maximum Annual Federal Credit:	$1,224,254
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,606,792
Investor/Consultant:	The Richman Group Affordable Housing Corp.
Federal Tax Credit Factor:	$0.98000

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:	$35,318,736
Actual Eligible Basis:	$35,318,736
Unadjusted Threshold Basis Limit:	$29,919,744
Total Adjusted Threshold Basis Limit:	$38,895,667

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 30%

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

The applicant requested and received a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) to 0% due to the excessive expensiveness / undue financial burden. These 2-story townhouse units can't be cost-effectively redesigned to include mobility features. However, the project must still provide at least 4% of the units (4 units) with communications features that meet the requirements of Chapter 11(B).

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with IRC Section 42 requirements using the minimum scoring standards at TCAC Regulation Sections 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to the project placing in service. Specifically, the general partner, Renewal Housing, Inc., shall complete training as prescribed by TCAC prior to the project placing in service, unless a co-general partner is admitted to the partnership, where TCAC determines the co-general partner meets the minimum scoring standards prior to the project placing in service.

Resyndication and Resyndication Transfer Event: None.

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
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: None.