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

Virginia Holt Apartments, located at 1125, 1131 East Holt Boulevard, and 116, 120, 126 Virginia Avenue in Ontario, requested and is being recommended for a reservation of $1,415,076 in annual federal tax credits to finance the new construction of 100 units of housing serving large families 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 52 and Assembly District 20.

Project Number CA-18-634

Project Name Virginia Holt Apartments
Site Address: 1125, 1131 East Holt Boulevard, and 116, 120, 126 Virginia Avenue
Ontario, CA 91764 County: San Bernardino
Census Tract: 15.03

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,415,076	$0
Recommended:	$1,415,076	$0

Applicant Information

Applicant: National Community Renaissance of California
Contact: Lorna Contreras
Address: 9421 Haven Avenue
Rancho Cucamonga, CA 91730
Phone: (949) 444-8417
Email: lcontreras@nationalcore.org

General Partner(s) or Principal Owner(s): NCRC Ontario GP, 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: National Community Renaissance of California

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	101
No. / % of Low Income Units:	100 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
Utility Allowance:	CUAC

Bond Information

Issuer:	The City of Ontario
Expected Date of Issuance:	12/19/2018

Information

Housing Type:	Large Family
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 35% AMI:	21	21%
At or Below 50% AMI:	37	37%
At or Below 60% AMI:	42	42%

Unit Mix

69	2-Bedroom Units
32	3-Bedroom Units
101	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15	2 Bedrooms	30%	30%	$455
22	2 Bedrooms	50%	50%	$758
32	2 Bedrooms	60%	60%	$910
6	3 Bedrooms	30%	30%	$525
15	3 Bedrooms	50%	50%	$877
10	3 Bedrooms	60%	60%	$1,051
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $77,596,200

Project Cost Summary at Application

Land and Acquisition	$3,531,846
Construction Costs	$22,383,782
Rehabilitation Costs	$0
Construction Contingency	$1,174,781
Relocation	$0
Architectural/Engineering	$1,809,700
Const. Interest, Perm. Financing	$1,887,693
Legal Fees, Appraisals	$370,000
Reserves	$238,405
Other Costs	$2,258,138
Developer Fee	$3,500,000
Commercial Costs	$0
Total	**$37,154,345**

Residential

Construction Cost Per Square Foot:	$182
Per Unit Cost:	$367,865
True Cash Per Unit Cost*:	$367,372

Construction Financing

Source	Amount
BBVA Compass	$23,000,000
OHA - Land Loan[1]	$2,420,000
OHA - In Lieu Fees[1]	$2,000,000
Tax Credit Equity	$7,346,084

Permanent Financing

Source	Amount
BBVA Compass	$3,287,000
OHA - Land Loan[1]	$1,564,315
OHA - In Lieu Fees[1]	$2,000,000
Strategic Growth Council - TCC[2]	$14,729,326
AHP	$990,000
Developer Equity	$1,000,000
Deferred Developer Fee	$49,753
Tax Credit Equity	$13,533,951
TOTAL	**$37,154,345**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
[1]Ontario Housing Authority
[2]Strategic Growth Council - Transformative Climate Community Program

Determination of Credit Amount(s)

Requested Eligible Basis:	$33,470,742
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$43,511,965
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	$1,415,076
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,500,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	$0.95641

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:	$33,470,742
Actual Eligible Basis:	$33,470,742
Unadjusted Threshold Basis Limit:	$34,043,616
Total Adjusted Threshold Basis Limit:	$62,517,648

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 37%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 42%

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 are below the minimum operating expenses established in the Regulations (See **"Significant Information / Additional Conditions"** Section below), 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 Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of $4,500. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $4,300 on agreement of the permanent lender and equity investor.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency
The Local Reviewing Agency, City of Ontario, 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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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
- The project will exceed 2016 Title 24 Standards for New Construction / Adaptive Reuse by 7% / 12% of the California Building Code
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.