

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2018 Waiting List**  
**October 23, 2018**

Tiny Tim, located at 2223 and 2237 West 5th Street in Santa Ana, requested a reservation of \$1,466,746 in annual federal tax credits and \$3,870,722 in total state tax credits, but is being recommended for a reservation of \$1,466,746 in annual federal credits and \$0 in total state credits in accordance with TCAC Regulation Section 10325(h), to finance the new construction of 50 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 Community Development Partners and will be located in Senate District 34 and Assembly

**Project Number** CA-18-081

**Project Name** Tiny Tim  
**Site Address:** 2223 and 2237 West 5th Street  
 Santa Ana, CA 92703 County: Orange  
**Census Tract:** 752.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,466,746	\$3,870,722
Recommended:	\$1,466,746	\$0

**Applicant Information**

**Applicant:** Community Development Partners  
**Contact:** Kyle Paine  
**Address:** 3416 Via Oporto, Suite 301  
 Newport Beach, CA 92663  
**Phone:** (949) 467-1344  
**Email:** kyle@communitydevpartners.com

**General Partner(s) / Principal Owner(s):** Mercy Housing CHDO, Inc.  
 Affordable Housing Alliance II, Inc., dba  
 Integrity Housing  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Mercy House Living Centers  
 Affordable Housing Alliance II, Inc., dba  
 Integrity Housing  
**Developer:** Community Development Partners  
**Investor/Consultant:** Aegon USA Reality Advisors, LLC  
**Management Agent(s):** Solari Enterprises, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 51  
 No. & % of Tax Credit Units: 50 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Orange County  
 TCAC Project Analyst: Jack Waegell

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 15	30%
At or Below 50% AMI: 5	10%
At or Below 60% AMI: 30	60%

**Unit Mix**

24 2-Bedroom Units
25 3-Bedroom Units
2 4-Bedroom Units
<u>51 Total Units</u>

<u>Unit Type &amp; 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>
7 2 Bedrooms	30%	30%	\$738
3 2 Bedrooms	50%	50%	\$1,230
13 2 Bedrooms	60%	60%	\$1,476
7 3 Bedrooms	30%	30%	\$852
2 3 Bedrooms	50%	50%	\$1,421
16 3 Bedrooms	60%	60%	\$1,705
1 4 Bedrooms	30%	30%	\$951
1 4 Bedrooms	60%	60%	\$1,902
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$28,149,000

**Project Cost Summary at Application**

Land and Acquisition	\$3,542,000
Construction Costs	\$16,148,600
Rehabilitation Costs	\$0
Construction Contingency	\$770,730
Relocation	\$0
Architectural/Engineering	\$598,000
Const. Interest, Perm. Financing	\$646,888
Legal Fees, Appraisals	\$161,000
Reserves	\$346,434
Other Costs	\$1,256,518
Developer Fee	\$2,166,955
Commercial Costs	\$1,207,901
<b>Total</b>	<b>\$26,845,026</b>

**Residential**

Construction Cost Per Square Foot:	\$301
Per Unit Cost:	\$502,689
True Cash Per Unit Cost*:	\$502,689

**Construction Financing**

Source	Amount
Citi Community Capital	\$15,401,264
City of Santa Ana - Loan	\$6,000,000
Deferred Reserves	\$167,285
Deferred Developer Fee	\$1,534,040
Tax Credit Equity	\$3,886,902

**Permanent Financing**

Source	Amount
Citi - Residential Loan	\$4,554,547
Citi - Commercial Loan	\$776,367
City of Santa Ana - Loan	\$6,000,000
Tax Credit Equity**	\$15,514,112
<b>TOTAL</b>	<b>\$26,845,026</b>

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

\*\*Source substitution for \$2,753,422 in anticipated state tax credit equity must be provided no later than October 30, 2018.

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$16,297,173
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$16,297,173
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,466,746
Total State Credit:	\$0
Approved Developer Fee in Project Cost:	\$2,166,955
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Aegon USA Reality Advisors, LLC
Federal Tax Credit Factor:	\$0.87000
State Tax Credit Factor:	\$0.72000

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:	\$16,297,173
Actual Eligible Basis:	\$20,041,173
Unadjusted Threshold Basis Limit:	\$16,101,908
Total Adjusted Threshold Basis Limit:	\$20,489,413

**Adjustments to Basis Limit**

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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

- Community gardens of at least 60 square feet per unit
- 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 used

Environmental Mitigation

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>28.786%</b>

**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. 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 development costs are estimated at \$502,689 per unit. The project's new 4-story, elevator-served building will have a ground floor garage and 3 levels of residential units. The new residential building will be built on the parking lot of an existing retail center. The 2 rectangular retail buildings, located along the side/back property lines, will remain and be updated to blend with the design of the new

The developer fee cost in the application's sources and uses budget at \$2,311,420 exceeds the maximum allowed developer fee of \$2,166,955 by \$144,465. This does not impact the federal credit request.

**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, the City of Santa Ana, has completed a site review of this project and strongly supports this project.

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/4 mile of a public elementary school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**