

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2019 First Round**

**June 12, 2019**

Villa Raintree, located at 11905 Ferris Road in El Monte, requested \$1,311,397 in annual federal credits, but is recommended for a reservation of \$1,310,786 in annual federal tax credits (see the "**Significant Information / Additional Conditions**" section) to finance the acquisition and rehabilitation of 69 units of housing serving tenants with rents affordable to households earning 20-80% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and is located in Senate District 22 and Assembly District 49.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

**Project Number** CA-19-058

**Project Name** Villa Raintree  
Site Address: 11905 Ferris Road  
El Monte, CA 91732 County: Los Angeles  
Census Tract: 4333.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,311,397	\$0
Recommended:	\$1,310,786	\$0

**Applicant Information**

Applicant: Villa Raintree LP  
Contact: Anthony Yannatta  
Address: 11812 San Vicente Blvd., Ste. 600  
Los Angeles, CA 90049  
Phone: 310-820-4888  
Email: anthony@tsahousing.com

General Partner(s) / Principal Owner(s): Housing Corporation of America  
Villa Raintree LLC

General Partner Type: Joint Venture

Parent Company(ies): Housing Corporation of America  
Thomas L. Safran

Developer: Thomas Safran & Associates Development, Inc.

Investor/Consultant: Wells Fargo Community Lending

Management Agent(s): Thomas Safran & Associates, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 70  
 No. & % of Tax Credit Units: 69 100%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: HUD Section 8 Project-based Contract (100% / 69 Units)

**Information**

Set-Aside: At-Risk  
 Housing Type: At-Risk  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Jack Waegell

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	
At or Below 20% AMI:	1
At or Below 30% AMI:	9
At or Below 40% AMI:	14
At or Below 50% AMI:	33
At or Below 70% AMI:	2
At or Below 80% AMI:	10

**Average Income Project (70% and/or 80% AMI Units):** 50% AMI targeted average or less is required

**Unit Mix**

70 1-Bedroom Units
70 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 1 Bedroom	20%	20%	\$363
9 1 Bedroom	30%	30%	\$545
14 1 Bedroom	40%	40%	\$727
33 1 Bedroom	50%	50%	\$909
2 1 Bedroom	70%	70%	\$1,273
10 1 Bedroom	80%	80%	\$1,455
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$16,000,000
Construction Costs	\$0
Rehabilitation Costs	\$6,496,000
Construction Contingency	\$842,647
Relocation	\$175,000
Architectural/Engineering	\$434,437
Const. Interest, Perm. Financing	\$669,392
Legal Fees	\$107,500
Reserves	\$274,996
Other Costs	\$328,990
Developer Fee	\$2,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$27,328,962</b>

**Residential**

Construction Cost Per Square Foot:	\$114
Per Unit Cost:	\$390,499
True Cash Per Unit Cost*:	\$386,504

**Construction Financing**

Source	Amount
PNC Bank Tranche A HUD 221(d)(4)	\$7,294,738
PNC Bank Tranche B HUD 221(d)(4)	\$6,268,362
NOI During Construction	\$640,487
Deferred Developer Fee Loan	\$2,000,000
Tax Credit Equity	\$11,131,359

**Permanent Financing**

Source	Amount
PNC Bank Tranche A HUD 221(d)(4)	\$7,294,738
PNC Bank Tranche B HUD 221(d)(4)	\$6,268,362
NOI During Construction	\$640,487
Deferred Developer Fee Loan	\$279,671
Tax Credit Equity	\$12,845,703
<b>TOTAL</b>	<b>\$27,328,962</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$9,753,916
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$13,119,207
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,753,916
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$13,119,207
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$877,852
Maximum Annual Federal Credit, Acquisition:	\$432,934
Total Maximum Annual Federal Credit:	\$1,310,786
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Wells Fargo Community Lending
Federal Tax Credit Factor:	\$0.98000

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:	\$22,873,123
Actual Eligible Basis:	\$24,546,755
Unadjusted Threshold Basis Limit:	\$17,594,710
Total Adjusted Threshold Basis Limit:	\$22,873,123

**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  
95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>At-Risk</b>
Final:	<b>28.374%</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 meet or 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, 3.30%. 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 is an At-risk project that has a senior tenant population.

TCAC staff determined that the developer fee was incorrectly calculated in the TCAC application. The rehabilitation developer fee limit in basis is \$1,272,250, less than the \$1,400,000 in the application. When the excess is re-allocated to the acquisition basis, the resulting calculations reduce the maximum federal credit to \$1,310,786, a reduction from the \$1,311,397 requested.

**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.

<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 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	0
Within 1/3 mile of transit, service every 30 minutes in rush hours	6	0	6
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of a pharmacy	2	2	2
In-unit high speed internet service	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
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>
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	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>
Smoke Free Residence	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.**