

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report

### 2019 Second Round

September 25, 2019

Cedar Glen II Apartments, located at 9830 County Farm Road in Riverside, requested and is being recommended for a reservation of \$1,565,636 in annual federal tax credits to finance the new construction of 49 units of housing serving large families with rents affordable to households earning 20-60% of area median income (AMI). The project will be developed by D.L. Horn & Associates and will be located in Senate District 31 and Assembly District 60.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

**Project Number** CA-19-092

**Project Name** Cedar Glen II Apartments  
Site Address: 9830 County Farm Road  
Riverside, CA 92503 County: Riverside  
Census Tract: 0412.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,565,636	\$0
Recommended:	\$1,565,636	\$0

#### Applicant Information

Applicant: Riverside Cedar Glen Partners II LP  
Contact: Erik Halter  
Address: 100 Pacifica, Suite 203  
Irvine, CA 92618  
Phone: (949) 625-6419  
Email: ehalter@palmcommunities.com

General Partner(s) / Principal Owner(s):	PC Riverside Developers II LLC Las Palmas Housing and Development Corporation
General Partner Type:	Joint Venture
Parent Company(ies):	Palm Communitites Las Palmas Housing and Development Corporation
Developer:	D.L. Horn & Associates
Investor/Consultant:	Boston Capital
Management Agent(s):	ConAm Management Corp.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 50  
 No. & % of Tax Credit Units: 49 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (49 units - 100%)

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Inland Empire Region  
 TCAC Project Analyst: Diane SooHoo

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 20% AMI:	5	10%
At or Below 30% AMI:	22	40%
At or Below 60% AMI:	22	40%

**Unit Mix**

24 1-Bedroom Units  
 26 3-BedroomUnits  


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 50 Total Units

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
5 1 Bedroom	20%	20%	\$269
14 1 Bedroom	25%	21%	\$280
5 1 Bedroom	30%	21%	\$280
3 3 Bedrooms	30%	30%	\$560
22 3 Bedrooms	60%	60%	\$1,120
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,031,040
Construction Costs	\$14,126,655
Rehabilitation Costs	\$0
Construction Contingency	\$1,969,669
Relocation	\$0
Architectural/Engineering	\$1,184,827
Const. Interest, Perm. Financing	\$1,500,148
Legal Fees	\$120,000
Reserves	\$333,185
Other Costs	\$2,152,969
Developer Fee	\$1,807,676
Commercial Costs	\$0
<b>Total</b>	<b>\$25,226,169</b>

**Residential**

Construction Cost Per Square Foot:	\$326
Per Unit Cost:	\$504,523
True Cash Per Unit Cost*:	\$495,802

**Construction Financing**

Source	Amount
Chase Bank	\$18,696,480
County of Riverside - Ground Lease	\$1,339,000
County of Riverside - Waived TUMF**	\$306,700
City of Riverside Loan	\$600,000
Deferred Developer Fee and Costs	\$2,828,093
Tax Credit Equity	\$1,455,896

**Permanent Financing**

Source	Amount
Chase Bank	\$4,980,186
HCD - NPLH	\$3,311,952
County of Riverside - Ground Lease	\$1,339,000
County of Riverside - Waived TUMF**	\$306,700
City of Riverside Loan	\$600,000
Deferred Developer Fee	\$129,372
Tax Credit Equity	\$14,558,959
<b>TOTAL</b>	<b>\$25,226,169</b>

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

\*\*Transportation Uniform Mitigation Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,381,510
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,395,963
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,565,636
Approved Developer Fee in Project Cost:	\$1,807,676
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.92991

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:	\$13,381,510
Actual Eligible Basis:	\$21,381,510
Unadjusted Threshold Basis Limit:	\$15,357,224
Total Adjusted Threshold Basis Limit:	\$19,115,552

**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  
Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>49.582%</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**

The current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-19-092 must be completed as part of the Readiness to Proceed 180/194-Day package.

**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 ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1½ mile of public high school	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 6 hours/week	3	3	3
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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.**