

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
2019 Waiting List Project  
October 16, 2019**

El Dorado II Apartments, located at 304 W. Mission Road in San Marcos, requested and is being recommended for a reservation of \$2,359,781 in annual federal tax credits to finance the new construction and acquisition & rehabilitation of 83 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 C&C Development Co., LLC and Orange Housing Development Corporation and will be located in Senate District 38 and Assembly District 75.

**Project Number** CA-19-099

**Project Name** El Dorado II Apartments  
**Site Address:** 304 W. Mission Road  
San Marcos, CA 92069 County: San Diego  
**Census Tract:** 200.210

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,359,781	\$0
Recommended:	\$2,359,781	\$0

**Applicant Information**

**Applicant:** El Dorado II, LP  
**Contact:** Eunice Bobert  
**Address:** 414 E. Chapman Avenue  
Orange, CA 92866  
**Phone:** (714) 771-1439  
**Email:** ohdc@ohdcorp.com

**General Partner(s) / Principal Owner(s):** C&C El Dorado, LLC  
OHDC El Dorado, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** C&C Development Co., LLC  
Orange Housing Development Corporation

**Developers:** Orange Housing Development Corporation and  
C&C Development Co., LLC

**Investor/Consultant:** National Equity Fund Inc.

**Management Agent(s):** Advanced Property Services, LLC

**Project Information**

**Construction Type:** New Construction and Acquisition & Rehabilitation

**Total # Residential Buildings:** 4

**Total # of Units:** 84

**No. & % of Tax Credit Units:** 83 100%

**Federal Set-Aside Elected:** 40%/60%

**Federal Subsidy:** N/A

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: San Diego 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
At or Below 40% AMI:	13
At or Below 50% AMI:	21
At or Below 60% AMI:	34

**Unit Mix**

12 2-Bedroom Units
72 3-Bedroom Units
<u>84 Total Units</u>

<u>Unit Type &amp; Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 2 Bedrooms	30%	30%	\$722
8 3 Bedrooms	30%	30%	\$834
3 2 Bedrooms	40%	40%	\$963
10 3 Bedrooms	40%	40%	\$1,113
2 2 Bedrooms	50%	50%	\$1,203
19 3 Bedrooms	50%	50%	\$1,391
34 3 Bedrooms	60%	60%	\$1,669
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$13,168,341
Construction Costs	\$18,806,019
Rehabilitation Costs	\$882,360
Construction Contingency	\$1,435,150
Relocation	\$1,174,800
Architectural/Engineering	\$1,757,305
Const. Interest, Perm. Financing	\$2,419,392
Legal Fees	\$229,192
Reserves	\$244,000
Other Costs	\$3,231,309
Developer Fee	\$2,218,799
Commercial Costs	\$605,535
<b>Total</b>	<b>\$46,172,202</b>

**Residential**

Construction Cost Per Square Foot:	\$220
Per Unit Cost:	\$542,460
True Cash Per Unit Cost*:	\$542,460

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Bank of America	\$21,700,000
City of San Marcos	\$16,898,748
Costs Deferred Until Completion	\$1,972,529
Tax Credit Equity	\$5,600,925

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Bank of America	\$6,789,190
City of San Marcos	\$16,898,748
Tax Credit Equity	\$22,484,264
<b>TOTAL</b>	<b>\$46,172,202</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (New Construction & Rehabilitation):	\$25,909,111
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$847,289
Applicable Fraction:	100.00%
Qualified Basis (New Construction & Rehabilitation):	\$25,909,111
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$847,289
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$2,331,820
Maximum Annual Federal Credit, Acquisition:	\$27,961
Total Maximum Annual Federal Credit:	\$2,359,781
Approved Developer Fee in Project Cost:	\$2,218,799
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	National Equity Fund Inc.
Federal Tax Credit Factor:	\$0.95281

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:	\$26,756,400
Actual Eligible Basis:	\$29,634,085
Unadjusted Threshold Basis Limit:	\$30,081,408
Total Adjusted Threshold Basis Limit:	\$30,081,408

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First: **Large Family**  
Final: **54.059%**

**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 project's estimated cost is \$542,460 per unit. Among the project's aspects that are contributing to its moderately high cost estimate is that it is comprised entirely of larger two-bedroom and three-bedroom units, the site required the demolition of several structures to clear it for development, the water district required the installation of a new sewer line, and the project site is large enough to allow for a large open space component in its design. In addition, the new construction buildings will be built to achieve LEED and the 12-unit rehabilitation building will be improved to increase its energy efficiency more than 20% in comparison to its current condition.

The project will have three new construction residential buildings each with 24 units and one rehabilitation building located at 303 Richmar Avenue with 12 units. The project will also have a non-residential building with 1,970 square feet of retail space and restrooms for the open space area.

**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 San Marcos, 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, 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 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1.5 miles of a public high school that project children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<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
REHABILITATION			
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>
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.**