

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Villa Hermosa Apartments, Phase III, located at 83801 Dr. Carreon Boulevard in Indio, is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$7,058,991 in total state tax credits to finance the new construction of 99 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project is being developed by Coachella Valley Housing Corporation and will be located in Senate District 28 and Assembly District 56.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-20-003

Project Name Villa Hermosa Apartments, Phase III
Site Address: 83801 Dr. Carreon Boulevard
Indio, CA 92201 County: Riverside
Census Tract: 495.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$7,058,991
Recommended:	\$2,500,000	\$7,058,991

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Coachella Valley Housing Coalition
Contact: Julie Bornstein
Address: 45701 Monroe Street, Suite G
Indio, CA 92201
Phone: (760)-347-3157
Email: julie.bornstein@cvhc.org

General Partner(s) / Principal Owner(s): Coachella Valley Housing Coalition
General Partner Type: Nonprofit
Parent Company(ies): Coachella Valley Housing Coalition
Developer: Coachella Valley Housing Coalition
Investor/Consultant: Community Economics, Inc.
Management Agent(s): Hyder & Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 9
Total # of Units: 100
No. & % of Tax Credit Units: 99 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / USDA 514 & USDA 521 Rental Subsidy (99 Units / 100%)
Utility Allowance: CUAC

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: Inland Empire Region
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:	14 10%
At or Below 40% AMI:	23 20%
At or Below 50% AMI:	62 40%

Unit Mix

36 1-Bedroom Units
32 2-Bedroom Units
24 3-Bedroom Units
8 4-Bedroom Units
<u>100 Total Units</u>

<u>Unit Type & 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>
6 1 Bedroom	30%	30%	\$404
10 1 Bedroom	40%	40%	\$539
20 1 Bedroom	50%	50%	\$673
4 2 Bedrooms	30%	30%	\$485
7 2 Bedrooms	40%	40%	\$647
21 2 Bedrooms	50%	50%	\$808
3 3 Bedrooms	30%	30%	\$560
5 3 Bedrooms	40%	40%	\$747
15 3 Bedrooms	50%	50%	\$933
1 4 Bedrooms	30%	30%	\$624
1 4 Bedrooms	40%	40%	\$833
6 4 Bedrooms	50%	50%	\$1,041
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,153,943
Construction Costs	\$29,023,655
Rehabilitation Costs	\$0
Construction Contingency	\$1,663,891
Relocation	\$0
Architectural/Engineering	\$1,303,500
Const. Interest, Perm. Financing	\$2,583,230
Legal Fees	\$80,000
Reserves	\$493,277
Other Costs	\$4,357,767
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$45,059,263

Residential

Construction Cost Per Square Foot:	\$332
Per Unit Cost:	\$450,593
True Cash Per Unit Cost*:	\$394,473

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$28,341,983	CCRC	\$3,335,100
Donated Land Value	\$2,698,833	USDA RD - 514	\$3,000,000
USDA RD 514	\$3,000,000	USDA RD 514 - Assumed	\$1,195,497
USDA-RD 514 - Assumed	\$1,195,497	Donated Land Value	\$2,698,833
Riverside County - HOME	\$1,000,000	Riverside County - HOME	\$1,000,000
Riverside County - LMIHA ¹	\$1,500,000	Riverside County - LMIHA ¹	\$1,500,000
City of Indio Fee Waivers	\$2,362,040	City of Indio Fee Waiver	\$2,362,040
Valley Sanitation District Fee Waivers	\$369,600	Valley Sanitary District Fee Waiver	\$369,600
Indio Water Authority Fee Wavers	\$181,500	Indio Water Authority Fee Waiver	\$181,500
General Partner Equity	\$625,000	General Partner Equity	\$625,000
Tax Credit Equity	\$2,889,719	Tax Credit Equity	\$28,791,693
		TOTAL	\$45,059,263

¹ Low and Moderate Income Housing Asset Funds

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,777,778
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,778
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$7,058,991
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.92578
State Tax Credit Factor:	\$0.80000

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:	\$27,777,778
Actual Eligible Basis:	\$27,777,778
Unadjusted Threshold Basis Limit:	\$33,354,212
Total Adjusted Threshold Basis Limit:	\$40,070,625

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:	Large Family
Final:	54.794%

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. 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

Projects with funding or subsidy from USDA are required to use Utility Allowances (UA) approved by USDA. The applicant's use of the CUAC for Villa Hermosa Apartments, Phase III, CA-20-003, is subject to approval by USDA which must be provided to TCAC at the placed-in-service submission.

This project is the third tax-credit project at the former Fred Young Farm Labor Camp. This project's tenants will have access to, and the use of, the community facilities, including those for services and the services themselves, and the outdoor play and recreational facilities at the phase 1 project (Fred Young Farm Workers Apartments Phase 1, CA-12-826) and the phase 2 project (Villa Hermosa Apartments Phase II, CA-17-062) under a Joint Use Agreement (JUA) at a level meeting the requirements in this project's application. The JUA must be in place at placed-in-service, and be provided to TCAC with the placed-in-service submission.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/4 mile of a public elementary school that project children may attend	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPES			
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

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.