

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

July 15, 2020

Fountain Valley Housing, located at 16790 Harbor Boulevard in Fountain Valley, requested and is being recommended for a reservation of \$1,752,731 in annual federal tax credits to finance the new construction of 49 units of housing families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Related Development Company of California, LLC, and will be located in Senate District 34 and Assembly District 72.

The project will be receiving rental assistance in the form of HUD-VASH Project-based Vouchers.

Project Number CA-20-026

Project Name Fountain Valley Housing
Site Address: 16790 Harbor Boulevard
Fountain Valley, CA 92704 County: Orange
Census Tract: 992.270

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,752,731	\$0
Recommended:	\$1,752,731	\$0

Applicant Information

Applicant: Fountain Valley Family Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue Suite 900
Irvine, CA 92612
Phone: (949) 660-7272
Email: fcardone@related.com

General Partner(s) / Principal Owner(s): Related/Fountain Valley Development Co., LLC
FFAH V Fountain Valley FHP, LLC

General Partner Type: Joint Venture

Parent Company(ies): The Related Companies of CA
Foundation for Affordable Housing

Developer: Related Development Company of California, LLC

Investor/Consultant: US Bank Community Development Corp.

Management Agent(s): Related Management Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 4

Total # of Units: 50

No. & % of Tax Credit Units: 49 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD-VASH Project-based Vouchers (8 Units / 16%)

Information

Set-Aside: N/A

Housing Type: Large Family

Geographic Area: Orange County

TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	13	25%
At or Below 50% AMI:	32	40%
At or Below 60% AMI:	4	8%

Unit Mix

23 1-Bedroom Units
14 2-Bedroom Units
13 3-Bedroom Units
50 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9 1 Bedroom	30%	26%	\$587
12 1 Bedroom	50%	50%	\$1,113
2 1 Bedroom	60%	60%	\$1,335
2 2 Bedrooms	30%	25%	\$661
10 2 Bedrooms	50%	49%	\$1,310
1 2 Bedrooms	60%	60%	\$1,603
2 3 Bedrooms	30%	24%	\$734
10 3 Bedrooms	50%	47%	\$1,456
1 3 Bedrooms	60%	60%	\$1,851
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,421,671
Construction Costs	\$14,575,754
Rehabilitation Costs	\$0
Construction Contingency	\$998,227
Relocation	\$0
Architectural/Engineering	\$1,510,000
Const. Interest, Perm. Financing	\$1,115,000
Legal Fees	\$225,000
Reserves	\$161,892
Other Costs	\$1,911,097
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$29,118,641

Residential

Construction Cost Per Square Foot:	\$349
Per Unit Cost:	\$582,373
True Cash Per Unit Cost*:	\$582,373

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
U.S. Bancorp CDC	\$17,918,245	U.S. Bancorp CDC	\$2,461,000
FVHA - Development Loan **	\$1,978,107	U.S. Bancorp CDC - Tranche B	\$829,000
FVHA - Acquisition Loan **	\$6,221,893	Orange County - PSH Loan	\$453,600
Deferred Operating Deficit Reserve	\$161,892	FVHA - Development Loan **	\$1,978,107
Deferred TCAC Monitoring Fee	\$21,000	FVHA - Acquisition Loan **	\$6,221,893
Deferred Developer Fee	\$1,100,000	Tax Credit Equity	\$17,175,041
Tax Credit Equity	\$1,717,504	TOTAL	\$29,118,641

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

** FVHA - Fountain Valley Housing Authority

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,043,815
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,556,959
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,752,731
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	US Bank Community Development Corp.
Federal Tax Credit Factor:	\$0.97990

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:	\$15,043,815
Actual Eligible Basis:	\$21,004,270
Unadjusted Threshold Basis Limit:	\$15,946,001
Total Adjusted Threshold Basis Limit:	\$16,687,383

Adjustments to Basis Limit

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

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used)

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	47.634%

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 estimated cost per unit is \$582,373. The project cost is due in part to cost of land in the city of Fountain Valley for this nearly 2 acre in-fill site and the design requirements to accommodate the existing Southern California Edison easement and the sewer easement on the site. In addition, the project is being built to the GreenPoint Rated energy efficiency standards and will have a large community building with a large community room.

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 Fountain Valley, 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.

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 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of a public high school that project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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.