

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Legacy Square, located at 609 N. Spurgeon Street in Santa Ana, requested and is being recommended for a reservation of \$1,914,563 in annual federal tax credits to finance the new construction of 92 units of housing serving large families with rents affordable to households earning 25%-60% of area median income (AMI). The project will be developed by National Community Renaissance of California and will be located in Senate District 34 and Assembly District 69.

The project will be receiving rental assistance in the form of HUD Veterans Affairs Supportive Housing (VASH) Project-based Vouchers. The project financing includes state funding from the NPLH & AHSC program(s) of HCD and SNHP through CalHFA.

Project Number CA-20-601

Project Name Legacy Square
Site Address: 609 N. Spurgeon Street
Santa Ana, CA 91730 **County:** Orange
Census Tract: 750.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,914,563	\$0
Recommended:	\$1,914,563	\$0

Applicant Information

Applicant: Legacy Square, L.P.
Contact: Zoe Kranemann
Address: 9421 Haven Avenue
Rancho Cucamonga, CA 91730
Phone: (909) 204-3462
Email: zkranemann@nationalcore.org

General Partner(s) or Principal Owner(s): NCRC Legacy MGP, LLC
Mercy House CHDO, Inc.

General Partner Type: Nonprofit

Parent Company(ies): National Community Renaissance of California
Mercy House CHDO, Inc.

Developer: National Community Renaissance of California

Investor/Consultant: Bank of America

Management Agent: National Community Renaissance of California

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 93
 No. / % of Low Income Units: 92 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD VASH Project-based Vouchers (8 Units - 8%)
 Utility Allowance: CUAC

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 1, 2020

Information

Housing Type: Large Family
 Geographic Area: Orange County
 TCAC Project Analyst: Jonghyun, Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 44	48%
50% AMI: 31	34%
60% AMI: 17	18%

Unit Mix

30 1-Bedroom Units
39 2-Bedroom Units
24 3-Bedroom Units
<u>93 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
16 1 Bedroom	25%	11%	\$267
14 1 Bedroom	30%	11%	\$267
3 2 Bedrooms	30%	9%	\$267
6 2 Bedrooms	30%	30%	\$864
18 2 Bedrooms	50%	50%	\$1,441
11 2 Bedrooms	60%	60%	\$1,729
5 3 Bedrooms	30%	30%	\$999
13 3 Bedrooms	50%	50%	\$1,665
6 3 Bedrooms	60%	60%	\$1,998
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,886,837
Construction Costs	\$30,403,745
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,632,029
Soft Cost Contingency	\$150,000
Relocation	\$0
Architectural/Engineering	\$1,860,000
Const. Interest, Perm. Financing	\$3,150,294
Legal Fees	\$400,000
Reserves	\$633,468
Other Costs	\$2,521,781
Developer Fee	\$5,406,538
Commercial Costs	\$0
Total	\$49,044,692

Residential

Construction Cost Per Square Foot:	\$252
Per Unit Cost:	\$527,362
True Cash Per Unit Cost*:	\$495,330

Construction Financing

Source	Amount
Bank of America - Tax Exempt	\$26,000,000
Bank of America	\$10,600,000
CalHFA SNHP Funds	\$1,514,240
City of Santa Ana	\$3,170,547
Deferred Costs	\$1,253,988
General Partner Equity	\$2,906,538
Tax Credit Equity	\$3,599,379

Permanent Financing

Source	Amount
Bank of America - Tax Exempt	\$5,258,706
CalHFA - SNHP	\$1,514,240
HCD - AHSC	\$15,000,000
HCD - NPLH	\$3,125,264
City of Santa Ana	\$3,170,547
Deferred Developer Fee	\$72,501
General Partner Equity	\$2,906,538
Tax Credit Equity	\$17,996,896
TOTAL	\$49,044,692

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$45,625,821
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$59,313,567
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,914,563
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,406,538
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.94000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$45,625,821
Actual Eligible Basis:	\$45,625,821
Unadjusted Threshold Basis Limit:	\$34,355,094
Total Adjusted Threshold Basis Limit:	\$85,168,597

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 33%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 94%

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 3.24% 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

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this existing project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The project has Veterans Affairs Supportive Housing (VASH) project-based vouchers from the City of Santa Ana covering 8 units, as well as an HCD NPLH capitalized operating subsidy.

Resyndication and Resyndication Transfer Event: None.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

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 reservation 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.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.