

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**October 14, 2020**

The Crossroads at Washington, located at 1126 & 1146 E. Washington Avenue in Santa Ana, requested and is being recommended for a reservation of \$2,684,659 in annual federal tax credits to finance the new construction of 85 units of housing serving special needs tenants with rents affordable to households earning 30% 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 69.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-20-089

**Project Name** The Crossroads at Washington  
**Site Address:** 1126 & 1146 E. Washington Avenue  
Santa Ana, CA 92701 County: Orange  
**Census Tract:** 744.060

<b>Tax Credit Amounts</b>	<b>Federal/Annual *</b>	<b>State/Total</b>
Requested:	\$2,684,659	\$0
Recommended:	\$2,684,659	\$0

\* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

**Applicant Information**

**Applicant:** Washington Santa Ana Housing Partners, L.P.  
**Contact:** Frank Cardone  
**Address:** 18201 Von Karman Ave. Suite 900  
Irvine, CA 92612  
**Phone:** (949) 660-7272  
**Email:** Fcardone@related.com

**General Partner(s) / Principal Owner(s):** Related/Washington Santa Ana Development Co., LLC  
Supportive Housing, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** The Related Companies of California, LLC  
A Community of Friends

**Developer:** Related Development Company of California, LLC

**Investor/Consultant:** U.S. Bancorp Community Development Corporation

**Management Agent(s):** John Stewart Company

**Project Information**

**Construction Type:** New Construction

**Total # Residential Buildings:** 2

**Total # of Units:** 86

**Total # of Tax Credit Units:** 86

**No. & % of Low Income Units:** 85

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

**Federal Subsidy:** HUD Section 8 Project-based Vouchers (43 Units - 51%) / HOME / NSP

**Information**

County Allocation: Orange  
Housing Type: Special Needs / Large Family  
Type of Special Needs: Homeless  
Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%  
% of Special Need Units 43 units 51%  
TCAC Project Analyst: Franklin Cui

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 85	100%

**Unit Mix**

16 SRO/Studio Units
26 1-Bedroom Units
22 2-Bedroom Units
17 3-BedroomUnits
5 4-Bedroom Units
<u>86 Total Units</u>

<u>Unit Type &amp; 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 SRO/Studio	30%	30%	\$672
26 1 Bedroom	30%	30%	\$720
1 2 Bedrooms	30%	30%	\$864
20 2 Bedrooms	30%	30%	\$864
17 3 Bedrooms	30%	30%	\$999
5 4 Bedrooms	30%	30%	\$1,114
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,903,000
Construction Costs	\$21,836,343
Rehabilitation Costs	\$0
Construction Contingency	\$1,254,554
Relocation	\$0
Architectural/Engineering	\$2,107,500
Const. Interest, Perm. Financing	\$1,598,400
Legal Fees	\$300,000
Reserves	\$271,996
Other Costs	\$4,797,000
Developer Fee	\$2,200,000
Commercial Costs	\$251,742
<b>Total</b>	<b>\$41,520,534</b>

**Residential**

Construction Cost Per Square Foot:	\$308
Per Unit Cost:	\$479,870
True Cash Per Unit Cost*:	\$479,870

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
U.S. Bank N.A.	\$27,222,459	U.S. Bank N.A.	\$332,000
County of Orange Land Loan	\$2,341,864	U.S. Bank N.A. Tranche B	\$3,790,000
City of Santa Ana Land Loan	\$4,108,136	Orange County Housing Authority PSH	\$2,280,701
City of Santa Ana HOME	\$3,007,489	County of Orange Land Loan	\$2,341,864
City of Santa Ana NSP	\$963,951	City of Santa Ana Land Loan	\$4,108,136
Deferred Costs	\$306,996	City of Santa Ana HOME	\$3,007,489
Deferred Developer Fee	\$1,100,000	City of Santa Ana NSP	\$963,951
Tax Credit Equity	\$2,469,639	Tax Credit Equity	\$24,696,393
		<b>TOTAL</b>	<b>\$41,520,534</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$29,829,544
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$29,829,544
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,684,659
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	U.S. Bancorp Community Development Corporation
Federal Tax Credit Factor:	\$0.91991

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:	\$29,829,544
Actual Eligible Basis:	\$32,458,624
Unadjusted Threshold Basis Limit:	\$26,930,511
Total Adjusted Threshold Basis Limit:	\$36,949,549

**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

Seismic Upgrading

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Letter of Support</b>
Second:	<b>\$31,216.97</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, 3.24%. 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 Crossroads at Washington is located at 1126 & 1146 East Washington Avenue on two adjacent parcels, one owned by the Housing Authority of the City of Santa Ana and the other by the County of Orange. The City Housing Authority and the County entered into a Joint Powers Agreement which results in joint ownership as tenants in common. The tenants in common structure is comprised of an ownership arrangement in which the City Housing Authority and the County jointly own a single parcel. There will be a lot merger process through the City of Santa Ana. The project owner will execute a ground lease with the Housing Authority of the City of Santa Ana and the County of Orange.

**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 Santa Ana, 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. 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 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 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>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	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>Total Points</b>	<b>81</b>	<b>81</b>	<b>81</b>

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**