

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**October 14, 2020**

Alora, located at 604 W. Richmar Avenue in San Marcos, requested and is being recommended for a reservation of \$1,600,710 in annual federal tax credits to finance the new construction of 99 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 38 and Assembly District 75.

**Project Number** CA-20-186

**Project Name** Alora  
**Site Address:** 604 W. Richmar Avenue  
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:	\$1,600,710	\$0
Recommended:	\$1,600,710	\$0

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

**Applicant Information**

**Applicant:** Alora Family Housing Partners, L.P.  
**Contact:** Melody Lock  
**Address:** 13520 Evening Creek Dr. North, Suite 160  
San Marcos, CA 92128  
**Phone:** 858-679-2459  
**Email:** [mellody@affirmedhousing.com](mailto:mellody@affirmedhousing.com)

**General Partner(s) / Principal Owner(s):** Affirmed Housing Group, Inc  
Nexus for Affordable Housing

**General Partner Type:** Joint Venture

**Parent Company(ies):** Affirmed Housing Group, Inc.  
NEXUS for Affordable Housing

**Developer:** Affirmed Housing Group, Inc

**Investor/Consultant:** Boston Capital

**Management Agent(s):** Solari Enterprises, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 4  
 Total # of Units: 100  
 Total # of Tax Credit Units 100  
 No. & % of Low Income Units: 99 100%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: HOME  
 Utility Allowance: CUAC

**Information**

County Allocation: San Diego  
 Housing Type: Large Family  
 TCAC Project Analyst: Jonghyun(Tommy) Shim

**55-Year Use / Affordability**

<u>Aggregate Targeting</u>	<u>Number of</u>	<u>Percentage of</u>
<u>Units</u>	<u>Units</u>	<u>Affordable Units</u>
At or Below 30% AMI:	32	30%
At or Below 40% AMI:	21	20%
At or Below 50% AMI:	21	20%
At or Below 60% AMI:	25	25%

**Unit Mix**

15 1-Bedroom Units
60 2-Bedroom Units
25 3-BedroomUnits
<u>100 Total Units</u>

<u>Unit Type &amp; Number</u>	<u>2020 Rents Targeted</u> <u>% of Area Median</u> <u>Income</u>	<u>2020 Rents Actual</u> <u>% of Area</u> <u>Median Income</u>	<u>Proposed Rent</u> <u>(including</u> <u>utilities)</u>
5 1 Bedroom	30%	30%	\$649
10 1 Bedroom	80%	58%	\$1,263
19 2 Bedrooms	30%	30%	\$780
18 2 Bedrooms	40%	40%	\$1,040
20 2 Bedrooms	50%	50%	\$1,300
2 2 Bedrooms	80%	63%	\$1,649
8 3 Bedrooms	30%	30%	\$901
3 3 Bedrooms	40%	40%	\$1,201
1 3 Bedrooms	50%	50%	\$1,501
13 3 Bedrooms	80%	78%	\$2,355
1 2 Bedrooms	Manager's Unit	Manager's Unit	0

**Project Cost Summary at Application**

Land and Acquisition	\$7,041,248
Construction Costs	\$23,000,000
Rehabilitation Costs	\$0
Construction Contingency	\$1,956,820
Relocation	\$1,500,000
Architectural/Engineering	\$1,669,500
Const. Interest, Perm. Financing	\$1,360,500
Legal Fees	\$260,000
Reserves	\$289,000
Other Costs	\$2,887,603
Developer Fee	\$2,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$42,164,671</b>

**Residential**

Construction Cost Per Square Foot:	\$245
Per Unit Cost:	\$421,647
True Cash Per Unit Cost*:	\$421,147

**Construction Financing**

Source	Amount
Banner Bank	\$17,780,245
County of San Diego - HOME	\$2,000,000
County of San Diego - IHTF	\$3,645,000
City of San Marcos - RDA	\$3,580,000
City of San Marcos - Accrued Interest	\$3,161,248
City of San Marcos - SHA	\$550,000
City of San Marcos	\$4,340,633
Tax Credit Equity	\$7,107,545

**Permanent Financing**

Source	Amount
Banner Bank	\$9,012,761
County of San Diego - HOME	\$2,200,000
County of San Diego - IHTF	\$4,050,000
City of San Marcos - RDA	\$3,580,000
City of San Marcos Accrued Interest	\$3,161,248
City of San Marcos SHA	\$550,000
City of San Marcos	\$4,822,926
Deferred Developer Fee	\$50,000
Tax Credit Equity	\$14,737,736
<b>TOTAL</b>	<b>\$42,164,671</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,681,281
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,785,665
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,600,710
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.92070

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:	\$13,681,281
Actual Eligible Basis:	\$32,374,423
Unadjusted Threshold Basis Limit:	\$33,502,745
Total Adjusted Threshold Basis Limit:	\$35,293,848

**Adjustments to Basis Limit**

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Letter of Support</b>
Second:	<b>\$16,007.10</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**

This project is an existing tax credit project, Mariposa Apartments (CA-97-954) with a total of 70 units that will be subdivided into two separate parcels prior to closing. Alora (phase 1) will demolish 40 existing units, while the remaining 30 existing units will be demolished in the future (phase II). Alora's new construction of 100 units results in a net gain of 60 new affordable units.

At the time of Alora construction closing there will be a partial termination of the existing TCAC regulatory agreement (CA-97-954). A separate legal description will be established for the remaining units, and the existing TCAC regulatory agreement will be amended to reduce the number of units from 70 units to 30 units and reduce the number of buildings from 9 buildings to 4 buildings. At the time of the Alora construction closing, a regulatory agreement will be executed by the applicant and TCAC for 40 units at the same income levels and bedroom count as the units being demolished. TCAC will not enforce this new regulatory agreement as long as construction proceeds to completion. When Alora is placed in service, a TCAC regulatory agreement will be executed and the 40-unit regulatory agreement will be terminated. There will be no grandfathering of tenants relocated from Mariposa Apartments, as CA-20-186 is a separate new construction project. If existing tenants return to the newly constructed Alora, they must be income-qualified at the time of their return.

This project involves an existing tax credit project (CA-97-954) that is being demolished. This project is occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

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

**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, 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. 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
Negative Points		0	0
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Service Amenities</b>	<b>10</b>	<b>12</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. 84 hrs/yr instruction	7	7	7
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	75	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>83</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.**