

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Veterans Village of Cathedral City, located on Landau Boulevard between Vega Road and Corta Road, requested and is being recommended for a reservation of \$2,078,765 in annual federal tax credits to finance the new construction of 59 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by A0685 Cathedral City Development LLC and will be located in Senate District 28 and Assembly District 56.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from HCD's VHHP program.

Project Number CA-20-094

Project Name Veterans Village of Cathedral City
Site Address: Landau Boulevard between Vega Road and Corta Road
Cathedral City, CA 92234 County: Riverside
Census Tract: 449.250

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,078,765	\$0
Recommended:	\$2,078,765	\$0

Applicant Information

Applicant: A0685 Cathedral City, L.P.
Contact: John F. Bigley
Address: 2000 E. 4th Street, Suite 220
Santa Ana, CA 92705
Phone: 714 492-1599
Email: jbigley@ikaikaohana.org

General Partner(s) / Principal Owner(s): A0685 Cathedral City Holdings LLC
General Partner Type: Nonprofit
Parent Company(ies): Ikaika Ohana
Developer: A0685 Cathedral City Development LLC
Investor/Consultant: RBC Capital Markets
Management Agent(s): Hyder & Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 60
No. & % of Tax Credit Units: 59 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD VASH Vouchers (53 units - 90%) / NSP

Information

Set-Aside: N/A
Housing Type: Special Needs
Average Targeted Affordability of Special Needs/SRO Project Units: 35.25%
% of Special Need Units: 59 100%
Geographic Area: Inland Empire
TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 34	55%
At or Below 40% AMI: 19	30%
At or Below 50% AMI: 6	10%

Unit Mix

48 1-Bedroom Units
<u>12 2-Bedroom Units</u>
60 Total Units

<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>
30 1 Bedroom	30%	30%	\$424
11 1 Bedroom	40%	40%	\$565
6 1 Bedroom	50%	50%	\$706
4 2 Bedrooms	30%	30%	\$508
8 2 Bedrooms	40%	40%	\$678
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,652,557
Construction Costs	\$18,578,715
Rehabilitation Costs	\$0
Construction Contingency	\$1,669,651
Relocation	\$0
Architectural/Engineering	\$929,329
Const. Interest, Perm. Financing	\$2,653,525
Legal Fees	\$320,000
Reserves	\$748,896
Other Costs	\$3,810,828
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$33,363,501

Residential

Construction Cost Per Square Foot:	\$281
Per Unit Cost:	\$556,058
True Cash Per Unit Cost*:	\$515,988

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$22,500,000	Citibank	\$3,364,000
HCD - General Funds	\$1,500,000	HCD - VHHP	\$5,509,996
County of Riverside - NSP	\$1,500,000	HCD - General Funds	\$1,500,000
Cathedral City Grant	\$1,000,000	County of Riverside - NSP	\$1,500,000
Cathedral City Land Donation	\$1,830,000	Cathedral City Grant	\$1,000,000
Deferred Operating Reserves	\$748,896	Cathedral City Land Donation	\$1,830,000
Deferred Developer Fee	\$1,574,605	Deferred Developer Fee	\$574,247
Tax Credit Equity	\$2,710,000	Tax Credit Equity	\$18,085,258
		TOTAL	\$33,363,501

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$17,767,225
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$23,097,393
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,078,765
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,600,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.87000

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:	\$17,767,225
Actual Eligible Basis:	\$25,764,685
Unadjusted Threshold Basis Limit:	\$16,614,864
Total Adjusted Threshold Basis Limit:	\$25,764,684

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages.

100% of the Low Income Units for Special Needs Population.

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

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms (where no VOC adhesives or backing is used).
- 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.

95% of Upper Floor Units are Elevator-Serviced.

Tie-Breaker Information

First:	Special Needs
Final:	55.222%

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 noted a rent reserve of \$444,792 required by the project's VHHP funding source. 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

Development cost is over \$556,000 per unit. A factor affecting this cost is the requirement for remedial site grading and compaction to address potential soil settlement issues. Additionally, offsite improvements, onsite utility connections and distribution, and high impact fees added to the project cost.

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 station or public bus stop	3	3	3
Residents provided free or discounted transit passes, 1 pass per 2 units	2	2	2
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs project within ½ mile of facility serving tenant population	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond 2019 CA Building Code Title 24: 8 EDR Pts.	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 REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.