

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**October 14, 2020**

Casa Paloma, located at 15162 Jackson St. in Midway City, requested and is being recommended for a reservation of \$2,352,467 in annual federal tax credits to finance the new construction of 69 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 American Family Housing and will be located in Senate District 34 and Assembly District 72.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the MHSA program of CalHFA and the HHC program of HCD.

**Project Number** CA-20-133

**Project Name** Casa Paloma  
**Site Address:** 15162 Jackson St.  
Midway City, CA 92655 County: Orange  
**Census Tract:** 997.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,352,467	\$0
Recommended:	\$2,352,467	\$0

**Applicant Information**

**Applicant:** AFH Casa Paloma LP  
**Contact:** Milo Peinemann  
**Address:** 15161 Jackson St.  
Midway City, CA 92655  
**Phone:** 714-897-3221  
**Email:** milo@afhusa.org

**General Partner(s) / Principal Owner(s):** AFH Casa Paloma LLC  
VP Casa Paloma LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** American Family Housing  
Veloce Partners Inc.

**Developer:** American Family Housing

**Investor/Consultant:** Red Stone Capital Partners LLC

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

**Project Information**

**Construction Type:** New Construction

**Total # Residential Buildings:** 1

**Total # of Units:** 71

**No. & % of Tax Credit Units:** 69 100%

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

**Federal Subsidy:** HUD Project Based Vouchers for (48 Units - 70%) / HOME

**Information**

Set-Aside: N/A  
Housing Type: Special Needs  
Type of Special Needs: Chronically Homeless or Homeless  
Average Targeted Affordability of Special Needs/SRO Project Units: 36.09%  
% of Special Need Units 48 units 70%  
Geographic Area: Orange County  
TCAC Project Analyst: Franklin Cui

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI: 48	65%
At or Below 50% AMI: 21	30%

**Unit Mix**

59 1-Bedroom Units
12 2-Bedroom Units
<b>71 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2020 Rents Targeted % of Area Median Income</b>	<b>2020 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
41 1 Bedroom	30%	30%	\$720
18 1 Bedroom	50%	50%	\$1,201
7 2 Bedrooms	30%	30%	\$864
3 2 Bedrooms	50%	50%	\$1,441
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$5,249,286
Construction Costs	\$23,800,738
Rehabilitation Costs	\$0
Construction Contingency	\$1,681,628
Relocation	\$0
Architectural/Engineering	\$1,361,125
Const. Interest, Perm. Financing	\$1,988,086
Legal Fees	\$220,000
Reserves	\$1,015,838
Other Costs	\$1,471,299
Developer Fee	\$2,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$38,988,000</b>

**Residential**

Construction Cost Per Square Foot:	\$507
Per Unit Cost:	\$549,127
True Cash Per Unit Cost*:	\$549,127

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo	\$23,500,000	CCRC	\$4,300,000
CalHFA - SNHP	\$6,688,000	CalHFA - SNHP	\$6,688,000
AHP	\$710,000	HCD - HHC**	\$4,464,144
Deferred Costs & Fees	\$2,620,961	Orange County - HOME	\$950,000
GP Equity	\$100	AHP	\$710,000
Tax Credit Equity	\$5,468,939	GP Equity	\$100
		Tax Credit Equity	\$21,875,756
		<b>TOTAL</b>	<b>\$38,988,000</b>

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

\*\*Housing for a Healthy California Program

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$26,138,523
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$26,138,523
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,352,467
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Red Stone Capital Partners LLC
Federal Tax Credit Factor:	\$0.92991

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:	\$26,138,523
Actual Eligible Basis:	\$31,466,022
Unadjusted Threshold Basis Limit:	\$19,540,237
Total Adjusted Threshold Basis Limit:	\$26,138,523

**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
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>59.987%</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 estimated project cost per unit is \$549,127. Factors contributing to the project cost are the land cost and building design, which includes features and programmatic spaces for the formerly homeless residents, including offices for services and a central courtyard providing space for the residents to congregate and children to play. There are two elevators. Funding sources require the payment of prevailing wages.

**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.

<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>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES</b>			
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
<b>SPECIAL NEEDS HOUSING TYPE</b>			
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
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements: LEED	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>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**