

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Villa Serena Phase 1, located at 340 Marcos Street in San Marcos, requested and is being recommended for a reservation of \$2,002,089 in annual federal tax credits to finance the new construction of 84 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by National Community Renaissance of California and will be located in Senate District 38 and Assembly District 75.

The project financing includes state funding from the SNHP/MHSA through CalHFA.

Project Number CA-20-142

Project Name Villa Serena Phase 1
Site Address: 340 Marcos Street
San Marcos, CA 92069 County: San Diego
Census Tract: 200.210

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,002,089	\$0
Recommended:	\$2,002,089	\$0

Applicant Information

Applicant: National Community Renaissance of California
Contact: Ashley Wright
Address: 9421 Haven Avenue
Rancho Cucamonga, CA 91730
Phone: (909) 483-2444
Email: awright@nationalcore.org

General Partner(s) / Principal Owner(s): VS Phase 1 GP LLC
General Partner Type: Nonprofit
Parent Company(ies): National Community Renaissance of California
Developer: National Community Renaissance of California
Investor/Consultant: Hudson Housing Capital
Management Agent(s): National Community Renaissance of California

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 85
No. & % of Tax Credit Units: 84 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: San Diego County
TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units	
At or Below 30% AMI:	17	20%
At or Below 40% AMI:	24	25%
At or Below 50% AMI:	11	10%
At or Below 60% AMI:	32	35%

Unit Mix

18 1-Bedroom Units
41 2-Bedroom Units
26 3-Bedroom Units
85 Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9 1 Bedroom	30%	11%	\$235
4 1 Bedroom	50%	50%	\$1,083
5 1 Bedroom	60%	60%	\$1,299
5 2 Bedrooms	30%	30%	\$780
16 2 Bedrooms	40%	40%	\$1,040
3 2 Bedrooms	50%	50%	\$1,300
17 2 Bedrooms	60%	60%	\$1,560
3 3 Bedrooms	30%	30%	\$901
8 3 Bedrooms	40%	40%	\$1,201
4 3 Bedrooms	50%	50%	\$1,501
10 3 Bedrooms	60%	60%	\$1,802
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,678,364
Construction Costs	\$24,493,373
Rehabilitation Costs	\$0
Construction Contingency	\$1,473,487
Relocation	\$448,879
Architectural/Engineering	\$1,150,000
Const. Interest, Perm. Financing	\$1,604,724
Legal Fees	\$235,000
Reserves	\$532,020
Other Costs	\$2,403,324
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$42,219,171

Residential

Construction Cost Per Square Foot:	\$239
Per Unit Cost:	\$496,696
True Cash Per Unit Cost*:	\$496,696

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
BBVA	\$19,592,112	BBVA	\$6,507,700
City of San Marcos Existing Debt	\$4,187,537	City of San Marcos Existing Debt	\$4,187,537
City of San Marcos New Debt	\$5,693,433	City of San Marcos New Debt	\$5,693,433
County of San Diego	\$5,504,285	County of San Diego	\$5,504,285
CalHFA SNHP	\$1,067,000	CalHFA SNHP	\$1,067,000
Deferred Cost	\$1,600,000	AHP Loan	\$840,000
Tax Credit Equity	\$4,614,804	Tax Credit Equity	\$18,419,216
		TOTAL	\$42,219,171

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,150,744
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,295,967
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,002,089
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.92000

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:	\$17,150,744
Actual Eligible Basis:	\$34,017,642
Unadjusted Threshold Basis Limit:	\$28,615,998
Total Adjusted Threshold Basis Limit:	\$34,990,410

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

Tie-Breaker Information

First: **Large Family**
 Final: **60.972%**

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 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. 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

Villa Serena is an existing tax credit project located at 339 and 340 San Marcos Street (CA-98-936). The project currently consists of 136 low-income units that will be demolished in two phases to develop 148 low-income units (new construction). The existing Villa Serena has a total of 238 bedrooms and the new Villa Serena (Phase 1 and 2) will have a total of 313 bedrooms. Phase 1 (340 San Marcos Street, the west side buildings, 60 units) will be demolished and replaced with 84 low-income units, a manager unit, a community center, and a two-level parking garage.

At the time of the Phase 1 construction closing there will be a partial termination of the existing TCAC regulatory agreement (CA-98-936). 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 137 units to 77 units and reduce the number of buildings from 10 buildings to 6 buildings. At the time of the Phase 1 construction closing, a regulatory agreement will be executed by the applicant and TCAC for 60 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 Phase 1 is placed in service, a TCAC regulatory agreement for Phase 1 will be executed and the 60-unit regulatory agreement will be terminated. There will be no grandfathering of tenants relocated from Phase 1, as CA-20-142 is a separate new construction project. If existing tenants from the 340 San Marcos Street units return to the newly constructed Phase 1, they must be income-qualified at the time of their return.

This project involves an existing tax credit project (CA-98-936) 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.

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, 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 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of a public middle school that project children may attend	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY 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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: LEED	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
Smoke Free Residence	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.