

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 First Round**

**October 14, 2020**

North Harbor Village, located at 1108 North Harbor Blvd. in Santa Ana, requested and is being recommended for a reservation of \$905,741 in annual federal tax credits and \$2,106,232 in total state tax credits to finance the new construction of 89 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 Jamboree Housing Corporation 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. The project financing includes state funding from the VHHP program of HCD.

**Project Number** CA-20-914

**Project Name** North Harbor Village  
Site Address: 1108 North Harbor Blvd.  
Santa Ana, CA 92703 County: Orange  
Census Tract: 890.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$905,741	\$2,106,232
Recommended:	\$905,741	\$2,106,232

\* The applicant made an election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

Applicant: North Harbor Housing Partners LP  
Contact: Michael Massie  
Address: 17701 Cowan Ave. Suite 200  
Irvine, CA 92614  
Phone: (213) 359-8056  
Email: mmassie@jamboreehousing.com

General Partner(s) / Principal Owner(s): JHC North Harbor LLC  
General Partner Type: Nonprofit  
Parent Company(ies): Jamboree Housing Corporation  
Developer: Jamboree Housing Corporation  
Investor/Consultant: Union Bank  
Management Agent: The John Stewart Company

**Project Information**

Construction Type: Adaptive Reuse  
 Total # Residential Buildings: 2  
 Total # of Units: 91  
 No. / % of Low Income Units: 89 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Project Based Vouchers (100% - 89 Units) / CDBG

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: 03/01/21

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless / formerly homeless  
 Average Targeted Affordability of Special Needs/SRO Project Units: 34.16%  
 % of Special Need Units 89 units 100%  
 Geographic Area: Orange County  
 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: 67	75%
At or Below 50% AMI (Rural) 15	15%

**Unit Mix**

89 SRO/Studio Units
1 2-Bedroom Units
1 3-Bedroom Units
<u>91 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>
34 SRO/Studio	30%	12%	\$280
14 SRO/Studio	30%	12%	\$280
19 SRO/Studio	30%	12%	\$280
7 SRO/Studio	40%	12%	\$280
15 SRO/Studio	50%	12%	\$280
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$15,738,582
Construction Costs	\$9,695,655
Rehabilitation Costs	\$0
Contingency Costs	\$1,214,259
Relocation	\$72,000
Architectural/Engineering	\$790,000
Const. Interest, Perm. Financing	\$2,360,751
Legal Fees	\$150,000
Reserves	\$285,135
Other Costs	\$1,887,074
Developer Fee	\$2,437,703
Commercial Costs	\$0
<b>Total</b>	<b>\$34,631,159</b>

**Residential**

Construction Cost Per Square Foot:	\$201
Per Unit Cost:	\$380,562
True Cash Per Unit Cost*:	\$374,188.34

**Construction Financing**

**Permanent Financing**

Source	Amount	Source	Amount
Union Bank	\$24,000,000	Union Bank	\$9,284,261
City of Santa Ana - CDBG	\$1,687,047	City of Santa Ana - CDBG	\$1,687,047
Orange Co. Housing Finance Trust	\$2,292,920	Orange Co. Housing Finance Trust	\$2,292,920
AHP	\$890,000	VHHP	\$10,000,000
Deferred Developer Fee	\$1,307,582	AHP	\$890,000
Tax Credit Equity	\$4,453,610	Deferred Developer Fee	\$580,020
		Tax Credit Equity	\$9,896,911
		<b>TOTAL</b>	<b>\$34,631,159</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$16,206,647
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (New Construction):	\$16,206,647
Applicable Rate:	3.24%
Qualified Basis (Acquisition):	\$11,748,332
Applicable Rate:	3.24%
Maximum Annual Federal Credit, New Construction:	\$525,095
Maximum Annual Federal Credit, Acquisition:	\$380,646
Total Maximum Annual Federal Credit:	\$905,741
Total State Credit:	\$2,106,232
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,437,702
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.92991
State Tax Credit Factor:	\$0.70000

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:	\$27,954,979
Actual Eligible Basis:	\$27,954,979
Unadjusted Threshold Basis Limit:	\$24,069,645
Total Adjusted Threshold Basis Limit:	\$74,182,531

**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
- 100% of the Low Income Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 24%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 150%

**Tie-Breaker Information**

Final: **81.648%**

### **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 3.24% 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**

The North Harbor Village project is being proposed as an adaptive reuse of the existing Budget Inn Motel and will transform it into 89 permanent supportive housing units for homeless veterans. The project is located on 1.80 acres of land in the City of Santa Ana. North Harbor Village will consist of the existing two 3-story residential buildings and a new 2-story community building.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

### **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**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 reservation 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.

#### **CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

<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 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	0
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	0	4
Within 1 mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. 1 FTE per 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
<b>Lowest Income</b>	<b>32</b>	<b>32</b>	<b>32</b>
Basic Targeting	30	30	30
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Total Points</b>	<b>86</b>	<b>86</b>	<b>86</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 RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**