

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2021 Second Round

October 20, 2021

Kern County Apartments, located at 4 sites in Kern County at the address listed below and is being recommended for a reservation of \$1,041,888 in annual federal tax credits and \$3,472,960 in requested total state tax credits to finance the rehabilitation of 112 units of housing serving tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Horizon ELOM Holdings, LLC and will be located in Senate District 14 and Assembly District 32.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number	CA-21-147	
Project Name	Kern County Apartments	
Site Address:	<u>Site 1 (32 Units)</u> Walnut Apartments 293, 295, 297 and 299 Walnut Drive Arvin, CA 93203	<u>Site 2 (36 Units)</u> La Fiesta Apartments 505, 510, 515, 520, 525, 530, 535 540 & 545 San Juan Street McFarland, CA 93250
Census Tract:	63.03	47.02
	<u>Site 3 (24 Units)</u> Skyway Apartments 500, 510 State Street, and 501 & 511 Jackson Ave Shafter, CA 83263	<u>Site 4 (24 Units)</u> Sunset Apartments 800 Griffith Ave, and 1215 & 1235 8th Place Wasco, CA 93280
Census Tract:	41.01	44.01
County:	Kern	
Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,041,888	\$3,472,960
Recommended:	\$1,041,888	\$3,472,960

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

Applicant Information

Applicant: Horizon ELOM Holdings, LLC
 Contact: Keith Stanley
 Address: 26565 West Agoura Road, Suite 200
 Calabasas, CA 91302
 Phone: 818-330-3314
 Email: keith.stanley@horizondev.com

General Partner(s) / Principal Owner(s): Horizon Development Consulting, LLC
 ELOM LLC
 AOF/Pacific Affordable Housing Corp.

General Partner Type: Joint Venture
 Parent Company(ies): Horizon Development Consulting, LLC
 ELOM LLC
 The American Opportunity Foundation, Inc.

Developer: Horizon ELOM Holdings, LLC
 Investor/Consultant: RBC Capital Markets, Inc.
 Management Agent(s): Michaels Management-Affordable, LLC

Project Information

Construction Type: Rehabilitation-Only
 Total # Residential Buildings: 20
 Total # of Units: 116
 No. & % of Tax Credit Units: 112 100%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: USDA 515 / USDA RHS 521 (94 units - 83.93%)

Information

Set-Aside: Rural
 Housing Type: At-Risk
 Geographic Area: N/A
 TCAC Project Analyst: Jonghyun(Tommy), Shim

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 17	15%
At or Below 40% AMI: 28	25%
At or Below 50% AMI (Rural): 28	25%
At or Below 60% AMI: 29	25%
At or Below 80% AMI: 10	5%

Unit Mix

53 1-Bedroom Units
 55 2-Bedroom Units
 8 3-BedroomUnits

 116 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	30%	\$392
27 1 Bedroom	40%	\$523
10 1 Bedroom	50%	\$653
9 2 Bedrooms	30%	\$471
14 2 Bedrooms	50%	\$785
22 2 Bedrooms	60%	\$942
2 3 Bedrooms	30%	\$543
4 3 Bedrooms	60%	\$1,087
1 1 Bedroom	40%	\$523
4 1 Bedroom	50%	\$653
4 1 Bedroom	80%	\$784
2 2 Bedrooms	60%	\$942
6 2 Bedrooms	80%	\$942
1 3 Bedrooms	60%	\$1,087
1 2 Bedrooms	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,300,000
Construction Costs	\$0
Rehabilitation Costs	\$7,621,109
Construction Contingency	\$998,375
Relocation	\$459,200
Architectural/Engineering	\$200,000
Const. Interest, Perm. Financing	\$805,948
Legal Fees	\$160,000
Reserves	\$1,023,131
Other Costs	\$387,496
Developer Fee	\$1,509,982
Commercial Costs	\$0
Total	\$17,465,241

Residential

Construction Cost Per Square Foot:	\$87
Per Unit Cost:	\$150,562
True Cash Per Unit Cost*:	\$145,731

Construction Financing

<u>Source</u>	<u>Amount</u>
Merchants Bank of Indiana 538	\$3,050,000
Merchants Bank of Indiana Bridge Loan	\$8,550,000
USDA 515	\$1,652,057
Deferred Developer Fee	\$1,412,765
Tax Credit Equity	\$2,800,419

Permanent Financing

<u>Source</u>	<u>Amount</u>
Merchants Bank of Indiana 538	\$3,050,000
USDA 515	\$1,652,057
Existing Replacement Reserves	\$287,529
Deferred Developer Fee	\$560,415
Tax Credit Equity	\$11,915,240
TOTAL	\$17,465,241

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,576,534
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,576,534
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,041,888
Total State Credit:	\$3,472,960
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,509,982
Investor/Consultant:	RBC Capital Markets, Inc.
Federal Tax Credit Factor:	\$0.88031
State Tax Credit Factor:	\$0.78992

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.

Tie-Breaker Information

First:	At-Risk
Final:	43.918%

Significant Information / Additional Conditions

This project involves the substantial rehabilitation of 4 scattered-sites currently operating as apartment complexes in City of Arvin, McFarland, Shafter, and Wasco.

Resyndication and Resyndication Transfer Event: None.

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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
SITE 1 WALNUT APARTMENTS (32 UNITS)			
Within ¼ mile of transit station or public bus stop	7	7	7
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	2	2	2
SITE 2 LA FIRSTA APARTMENTS (36 UNITS)			
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a pharmacy	2	2	2
In-unit high speed internet service (Rural set-aside only)	3	3	3
SITE 3 SKYWAY APARTMENTS (24 UNITS)			
Within ¼ mile of transit station or public bus stop	7	7	7
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of 5,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
SITE 4 SUNSET APARTMENTS (24 UNITS)			
Within ¼ mile of transit station or public bus stop	5	5	5
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of 5,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
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	109	109	109

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.