

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2022 First Round

June 15, 2022

Park Villa Apartments, located at 260-280 West Park Avenue in El Cajon, requested and is being recommended for a reservation of \$1,106,305 in annual federal tax credits to finance the acquisition and rehabilitation of 37 units of housing serving tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 38 and Assembly District 71.

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 HUD Section 8 Project-based Contract.

Project Number CA-22-034

Project Name Park Villa Apartments
Site Address: 260-280 West Park Avenue
El Cajon, CA 92020 County: San Diego
Census Tract: 158.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,106,305	\$0
Recommended:	\$1,106,305	\$0

Applicant Information

Applicant: Park Villa Community Partners, LP
Contact: Anand Kannan
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: 949-236-8278
Email: akannan@cpp-housing.com

General Partner(s) / Principal Owner(s): WNC - Park Villa GP, LLC
FFAH V Park Villa, LLC

General Partner Type: Joint Venture

Parent Company(ies): WNC Development Partners, LLC
Foundation For Affordable Housing V, Inc.

Developer: Community Preservation Partners, LLC

Investor/Consultant: WNC & Associates

Management Agent(s): FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation

Total # Residential Buildings: 1

Total # of Units: 38

No. & % of Tax Credit Units: 37 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD Section 8 Project-based Contract (34 units - 89%)

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: San Diego County
 CTCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Committed Affordable Units</u>
At or Below 30% AMI:	4	10%
At or Below 40% AMI:	6	15%
At or Below 50% AMI:	27	40%

Unit Mix

6 SRO/Studio Units
16 1-Bedroom Units
<u>16 2-Bedroom Units</u>
38 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	\$636
4 SRO/Studio	50%	\$1,061
1 1 Bedroom	30%	\$682
3 1 Bedroom	40%	\$909
12 1 Bedroom	50%	\$1,136
2 2 Bedrooms	30%	\$818
3 2 Bedrooms	40%	\$1,091
11 2 Bedrooms	50%	\$1,363
1 SRO/Studio	Manager's Unit	\$1,264

Project Cost Summary at Application

Land and Acquisition	\$9,256,344
Construction Costs	\$0
Rehabilitation Costs	\$4,519,400
Construction Contingency	\$516,940
Relocation	\$76,000
Architectural/Engineering	\$87,000
Const. Interest, Perm. Financing	\$1,122,734
Legal Fees	\$215,000
Reserves	\$216,000
Other Costs	\$212,893
Developer Fee	\$1,255,589
Commercial Costs	\$0
Total	\$17,477,900

Residential

Construction Cost Per Square Foot:	\$175
Per Unit Cost:	\$459,945
True Cash Per Unit Cost*:	\$459,945

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$12,000,000	Pacific Western Bank	\$7,291,000
Net Operating Income	\$396,100	Net Operating Income	\$396,100
Deferred Developer Fee	\$1,255,589	Tax Credit Equity	\$9,790,800
Tax Credit Equity	\$3,826,211	TOTAL	\$17,477,900

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,747,850
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,145,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,072,205
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$5,145,000
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$906,498
Maximum Annual Federal Credit, Acquisition:	\$205,800
Total Maximum Annual Federal Credit:	\$1,112,298
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,255,589
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.88500

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:	-10.975%

Significant Information / Additional Conditions:

This Project's annual per unit operating expense total is below the CTCAC published per unit operating minimums of \$5,900. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves an annual per unit operating expense total of \$5,350 on agreement of the permanent lender and equity investor.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC 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
Within ½ mile of transit station or public bus stop	4	4	4
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
In-unit high speed internet service	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
Smoke Free Residence	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.