

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2022 Second Round

September 28, 2022

Estrella, located at 604 W. Richmar Avenue in San Marcos, requested and is being recommended for a reservation of \$2,354,865 in annual federal tax credits to finance the new construction of 94 units of housing serving families with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc and will be located in Senate District 38 and Assembly District 75.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-22-089

Project Name Estrella

Site Address: 604 W. Richmar Avenue
San Marcos, CA 92069 County: San Diego

Census Tract: 200.210

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,354,865	\$0
Recommended:	\$2,354,865	\$0

Applicant Information

Applicant: San Marcos Family Housing, L.P.
Contact: Esther Barron
Address: 13520 Evening Creek Dr. North, Suite 160
San Diego, CA 92128
Phone: (858) 679-2828
Email: esther@affirmedhousing.com

General Partner(s) / Principal Owner(s): AHG Estrella, LLC
CFAH Housing, LLC

General Partner Type: Joint Venture

Parent Company(ies): Affirmed Housing
Compass for Affordable Housing

Developer: Affirmed Housing Group, Inc

Investor/Consultant: WNC

Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 4

Total # of Units: 96

No. & % of Tax Credit Units: 94 100%

Federal Set-Aside Elected: 40%/60% Average Income

Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (24 Units - 25%)

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: San Diego County
CTCAC Project Analyst: Jonghyun(Tommy) Shim

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	25	25%
At or Below 40% AMI:	10	10%
At or Below 50% AMI:	14	10%
At or Below 80% AMI:	45	45%

Unit Mix

46 1-Bedroom Units
24 2-Bedroom Units
<u>26 3-Bedroom Units</u>
96 Total Units

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 1 Bedroom	30%	\$732
6 1 Bedroom	40%	\$976
3 1 Bedroom	50%	\$1,220
7 1 Bedroom	50%	\$1,220
19 1 Bedroom	80%	\$1,952
6 2 Bedrooms	30%	\$878
1 2 Bedrooms	40%	\$1,171
17 2 Bedrooms	80%	\$2,342
7 3 Bedrooms	30%	\$1,015
3 3 Bedrooms	40%	\$1,353
4 3 Bedrooms	50%	\$1,691
1 3 Bedrooms	30%	\$1,015
9 3 Bedrooms	80%	\$2,707
2 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,016,278
Construction Costs	\$28,800,000
Rehabilitation Costs	\$0
Construction Contingency	\$2,391,572
Relocation	\$3,445,000
Architectural/Engineering	\$1,519,594
Const. Interest, Perm. Financing	\$2,251,000
Legal Fees	\$320,000
Reserves	\$488,000
Other Costs	\$3,475,847
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$50,907,291

Residential

Construction Cost Per Square Foot:	\$372
Per Unit Cost:	\$530,284
True Cash Per Unit Cost*:	\$530,284

Construction Financing

Source	Amount
JPMorgan Chase Bank, N.A.	\$31,256,316
City of San Marcos - Roll Over	\$2,580,000
Accrued Interest	\$2,746,572
City of San Marcos - Predevelopment	\$550,000
City of San Marcos	\$7,000,000
Tax Credit Equity	\$6,774,403

Permanent Financing

Source	Amount
JPMorgan Chase Bank, N.A.	\$14,872,110
City of San Marcos - Roll Over	\$2,580,000
Accrued Interest	\$2,746,572
City of San Marcos - Predevelopment	\$550,000
City of San Marcos	\$7,000,000
County of San Diego - HOME	\$2,643,026
Tax Credit Equity	\$20,515,583
TOTAL	\$50,907,291

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$26,165,166
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$26,165,166
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,354,865
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$0.87120

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

Self-Score Final:	74.218%
CTCAC Final:	67.984%

Significant Information / Additional Conditions

This project is an existing tax credit project, Mariposa Apartments (CA-97-954) with a total of 70 units that is divided into two separate parcels. Estrella (phase II) will demolish the remaining 30 existing units, 40 units have already been demolished in Phase I (Alora CA-20-186). Once the last 30 units are demolished in Phase II (Estrella), 96 new units will be constructed resulting in a net gain of 66 new affordable units.

At the time of Estrella construction closing, there will be termination of the existing CTCAC regulatory agreement (CA-97-954) as the remaining of 30 units and 4 buildings being demolished. When Estrella (Phrase II) is placed in service, a CTCAC regulatory agreement will be terminated. There will be no grandfathering of tenants relocated from Mariposa Apartments, as CA-22-089 is a separate new construction project. If existing tenants return to the newly constructed Alora, they must be income qualified at the time of their return.

This project involves an existing tax credit project (CA-97-954) that is being demolished. It is divided into Phase I (Alora CA-20-186), and Phase II (Estrella CA-22-089). 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.

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

Staff noted that the hard cost contingency, as reflected in the project's Application Sources & Uses table, exceeds 10% of the project's total hard construction costs.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of San Marcos, has completed a site review of this project and strongly supports this project.

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
Negative Points		0	0
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 ½ mile of a public middle school	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Highest or High Resources Area	8	8	8
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK 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
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.