

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Snapdragon Place Apartments, Phase II, located at 995, 1007, 1013, 1019, and 1031 Los Angeles Avenue in Ventura, requested \$608,340 in annual federal tax credits but is being recommended for a reservation of \$607,975 in annual federal tax credits (see "**Special Issues/Other Significant Information**" section) to finance the new construction of 21 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Cabrillo Economic Development Corporation and will be located in Senate District 19 and Assembly District 37.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and VASH Project-based Vouchers. The project financing includes state funding from the SHMHP program of HCD.

Project Number CA-17-105

Project Name Snapdragon Place Apartments, Phase II
Site Address: 995, 1007, 1013, 1019, and 1031 Los Angeles Avenue
Ventura, CA 93004 County: Ventura
Census Tract: 13.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$608,340	\$0
Recommended:	\$607,975	\$0

Applicant Information

Applicant: Cabrillo Economic Development Corporation
Contact: Roberto Jimenez
Address: 702 County Square Drive
Ventura, CA 93004
Phone: (805) 659-3791 **Fax:** (805) 647-4419
Email: rjimenez@cabrilloedc.org

General Partner(s) / Principal Owner(s): Cabrillo Economic Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): Cabrillo Economic Development Corporation
Developer: Cabrillo Economic Development Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Housing Authority of the City of San Buenaventura

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 22
 No. & % of Tax Credit Units: 21 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (17 units - 81%) /
 HUD VASH Project-based Vouchers (4 units - 19%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.57%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 13 60 %
 40% AMI: 3 10 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 % of Special Need Units: 11 units 50%
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Diane SooHoo

Unit Mix

4 1-Bedroom Units
 10 2-Bedroom Units
 8 3-Bedroom Units

 22 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	30%	30%	\$562
6 2 Bedrooms	30%	30%	\$675
1 2 Bedrooms	30%	30%	\$675
1 2 Bedrooms	40%	40%	\$900
1 2 Bedrooms	60%	60%	\$1,350
1 3 Bedrooms	30%	30%	\$779
1 3 Bedrooms	30%	30%	\$779
2 3 Bedrooms	40%	40%	\$1,039
4 3 Bedrooms	60%	60%	\$1,558
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,266

Projected Lifetime Rent Benefit: \$13,757,040

Project Cost Summary at Application

Land and Acquisition	\$1,683,786
Construction Costs	\$5,982,783
Rehabilitation Costs	\$0
Construction Contingency	\$316,000
Relocation	\$0
Architectural/Engineering	\$440,000
Const. Interest, Perm. Financing	\$738,100
Legal Fees, Appraisals	\$106,832
Reserves	\$300,913
Other Costs	\$918,578
Developer Fee	\$1,051,947
Commercial Costs	\$0
Total	\$11,538,939

Project Financing

Estimated Total Project Cost:	\$11,538,939
Estimated Residential Project Cost:	\$11,538,939
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$199
Per Unit Cost:	\$524,497
True Cash Per Unit Cost*:	\$501,681

Construction Financing

Source	Amount
Wells Fargo	\$9,349,318
City of Ventura - HOME	\$450,000
Deferred Costs	\$565,912
Deferred Developer Fee	\$501,947
Tax Credit Equity	\$675,000

Permanent Financing

Source	Amount
CCRC - Tranche A	\$632,000
CCRC - Tranche B	\$2,998,952
HCD - SHMHP**	\$1,348,940
City of Ventura - HOME	\$450,000
AHP	\$220,000
Deferred Developer Fee	\$501,947
Tax Credit Equity	\$5,387,100
TOTAL	\$11,538,939

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

**Supportive Housing Multifamily Housing Program

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,199,485
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$6,759,331
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$607,975
Approved Developer Fee (in Project Cost & Eligible Basis)	\$1,051,947
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.88607

Per Regulation Section 10327(c)(6), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$5,199,485
Actual Eligible Basis:	\$9,547,694
Unadjusted Threshold Basis Limit:	\$6,256,472
Total Adjusted Threshold Basis Limit:	\$8,128,936

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

Tie-Breaker Information

First:	Special Needs
Final:	59.037%

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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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.

Special Issues/Other Significant Information

Located across Snapdragon Street from Phase I (CA-13-095), this project is the second phase of a larger development comprised of 50 units. Phase I of Snapdragon Place Apartments has provided 28 units and Phase II will provide 22 units. Both phases will have reciprocal non-exclusive rights to use the community room, driveways, pedestrian walkways, and parking spaces located on Phase I and II of the development, as evidenced by a Joint Use Agreement.

This project's land parcel was part of an original purchase in 2013 for the amount of \$2,050,000 which included the land for Phase I and Phase II of the development. In Phase I, the application included \$1,130,738 land cost for its portion. In Phase II's development budget, staff noted land acquisition amount in cost of \$922,500 exceeding the dollar amount of the initial purchase price by \$3,238. The cost was reduced accordingly resulting in a reduction to the federal tax credit amount recommended.

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.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$607,975	\$0

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.

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)(6) 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.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
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 (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
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. 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	138	138	138

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.