

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Encanto Village, located at 6317-6323, 6355, 6357 Imperial Avenue in San Diego, requested and is being recommended for a reservation of \$934,971 in annual federal tax credits and \$3,116,572 in total state tax credits to finance the new construction of 65 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by National Community Renaissance of California and will be located in Senate District 40 and Assembly District 79.

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

Project Number CA-17-118

Project Name Encanto Village
Site Address: 6317-6323, 6355, 6357 Imperial Avenue
San Diego, CA 92114 County: San Diego
Census Tract: 31.120

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$934,971	\$3,116,572
Recommended:	\$934,971	\$3,116,572

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: National Community Renaissance of California
Contact: Lesley Edwards
Address: 9421 Haven Avenue
Rancho Cucamonga, CA 91730
Phone: (909) 483-2444 **Fax:** (909) 483-2448
Email: ledwards@nationalcore.org

General Partner(s) / Principal Owner(s): National Community Renaissance of California
General Partner Type: Nonprofit
Parent Company(ies): National Community Renaissance of California
Developer: National Community Renaissance of California
Investor/Consultant: Hudson Housing Capital
Management Agent(s): National Community Renaissance of California

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 66
 No. & % of Tax Credit Units: 65 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD VASH Project-based Vouchers (8 units / 12%)
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 40% AMI: 20 30 %
 50% AMI: 23 35 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: San Diego County
 TCAC Project Analyst: Carmen Doonan

Unit Mix

30 1-Bedroom Units
 18 2-Bedroom Units
 18 3-Bedroom Units

 66 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>
3 1 Bedroom	30%	30%	\$511
3 1 Bedroom	40%	40%	\$682
7 1 Bedroom	40%	40%	\$682
11 1 Bedroom	50%	50%	\$853
6 1 Bedroom	60%	60%	\$1,023
1 2 Bedrooms	30%	30%	\$614
1 2 Bedrooms	30%	30%	\$614
5 2 Bedrooms	40%	40%	\$819
7 2 Bedrooms	50%	50%	\$1,023
4 2 Bedrooms	60%	60%	\$1,228
1 3 Bedrooms	30%	30%	\$709
1 3 Bedrooms	30%	30%	\$709
5 3 Bedrooms	40%	40%	\$945
5 3 Bedrooms	50%	50%	\$1,181
5 3 Bedrooms	60%	60%	\$1,418
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$15,560,160

Project Cost Summary at Application

Land and Acquisition	\$3,311,688
Construction Costs	\$12,785,974
Rehabilitation Costs	\$0
Construction Contingency	\$677,172
Relocation	\$0
Architectural/Engineering	\$1,078,000
Const. Interest, Perm. Financing	\$1,142,116
Legal Fees, Appraisals	\$165,000
Reserves	\$179,753
Other Costs	\$2,315,398
Developer Fee	\$1,400,000
Commercial Costs	\$337,195
Total	\$23,392,296

Project Financing

Estimated Total Project Cost:	\$23,392,296
Estimated Residential Project Cost:	\$23,055,101
Estimated Commercial Project Cost:	\$337,195

Residential

Construction Cost Per Square Foot:	\$177
Per Unit Cost:	\$349,320
True Cash Per Unit Cost*:	\$336,702

Construction Financing

Source	Amount
BBVA Compass Loan	\$12,730,000
San Diego Housing Commission	\$7,250,000
City RTCIP Fee Waiver**	\$144,936
Tax Credit Equity	\$2,256,547

Permanent Financing

Source	Amount
BBVA Compass Loan	\$3,921,874
San Diego Housing Commission	\$7,250,000
City RTCIP Fee Waiver**	\$144,936
Deferred Developer Fee	\$700,000
Tax Credit Equity	\$11,375,486
TOTAL	\$23,392,296

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

** City of San Diego Development Services - Regional Transportation Congestion Improvement Program

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,388,572
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$10,388,572
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$934,971
Total State Credit:	\$3,116,572
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.95000
State Tax Credit Factor:	\$0.80000

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:	\$10,388,572
Actual Eligible Basis:	\$19,189,124
Unadjusted Threshold Basis Limit:	\$16,662,042
Total Adjusted Threshold Basis Limit:	\$19,536,610

Adjustments to Basis Limit

Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	44.327%

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

Staff noted that the preliminary architectural drawings lack a detailed description of the play area suitable for children ages 13-17. The applicant is cautioned that outdoor play/recreational facilities suitable for children ages 13-17 pursuant to TCAC Regulation section 10325(g)(1)(D). Outdoor open space should include a seating area reasonable for the size of the project.

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
\$934,971	\$3,116,572

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 ¼ 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 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of a public elementary school	3	3	3
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of:LEED	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
State Credit Substitution	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.