

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Avon Dakota Phase II, located at 809, 824, 862, 868 S. Dakota Street and 606 Avon Place in Anaheim, requested and is being recommended for a reservation of \$605,843 in annual federal tax credits and \$2,019,477 in total state tax credits to finance the rehabilitation 21 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 Related Development Company of California, LLC and is located in Senate District 34 and Assembly District 69.

Project Number CA-17-152

Project Name Avon Dakota Phase II
Site Address: 809, 824, 862, 868 S. Dakota Street & 606 Avon Place
Anaheim, CA 92805 County: Orange
Census Tract: 874.040

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$605,843	\$2,019,477
Recommended:	\$605,843	\$2,019,477

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

Applicant Information

Applicant: Avon Dakota Housing Partners II, L.P., a California limited partnership
Contact: Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 990-7272 Fax: (949) 660-7373
Email: fcardone@related.com

General Partner(s) / Principal Owner(s): Related/Avon Dakota II Development Co., LLC
Avon Dakota II MGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of CA
Affordable Housing Access, Inc.
Developer: Related Development Company of California, LLC
Investor/Consultant: US Bancorp Community Development Corp.
Management Agent(s): Related Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 21
 No. & % of Tax Credit Units: 21 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 10 %
 40% AMI: 5 20 %
 50% AMI: 9 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Orange County
 TCAC Project Analyst: Lucy Vang

Unit Mix

3 1-Bedroom Units
 12 2-Bedroom Units
 6 3-Bedroom Units

 21 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>
2 1 Bedroom	40%	40%	\$783
1 1 Bedroom	50%	50%	\$978
2 2 Bedrooms	30%	30%	\$704
1 2 Bedrooms	40%	40%	\$939
4 2 Bedrooms	50%	50%	\$1,173
2 2 Bedrooms	50%	50%	\$1,173
3 2 Bedrooms	60%	60%	\$1,408
1 3 Bedrooms	30%	30%	\$813
2 3 Bedrooms	40%	40%	\$1,085
2 3 Bedrooms	50%	50%	\$1,356
1 3 Bedrooms	60%	60%	\$1,627

Projected Lifetime Rent Benefit: \$7,017,780

Project Cost Summary at Application

Land and Acquisition	\$4,185,284
Construction Costs	\$0
Rehabilitation Costs	\$5,700,947
Construction Contingency	\$287,562
Relocation	\$958,458
Architectural/Engineering	\$705,500
Const. Interest, Perm. Financing	\$320,000
Legal Fees, Appraisals	\$160,000
Reserves	\$60,233
Other Costs	\$895,117
Developer Fee	\$1,079,000
Commercial Costs	\$0
Total	\$14,352,100

Project Financing

Estimated Total Project Cost:	\$14,352,100
Estimated Residential Project Cost:	\$14,352,100
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$298
Per Unit Cost:	\$683,433
True Cash Per Unit Cost*:	\$484,317

Construction Financing

Source	Amount
U.S. Bank, N.A.	\$7,587,333
Anaheim Housing Authority**	\$4,135,000
Anaheim Housing Authority	\$1,301,075
Deferred Operating Deficit Reserve	\$60,233
Deferred Developer Fee	\$539,500
Tax Credit Equity	\$728,959

Permanent Financing

Source	Amount
U.S. Bank, N.A.	\$1,580,000
Anaheim Housing Authority**	\$4,135,000
Anaheim Housing Authority	\$1,301,075
Deferred Developer Fee	\$46,438
Tax Credit Equity	\$7,289,587
TOTAL	\$14,352,100

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

**Capitalized Lease Payment from the Anaheim Housing Authority

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,731,593
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,731,593
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$605,843
Total State Credit:	\$2,019,477
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,079,000
Investor/Consultant:	US Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$0.94991
State Tax Credit Factor:	\$0.75992

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:	\$6,731,593
Actual Eligible Basis:	\$8,277,205
Unadjusted Threshold Basis Limit:	\$5,603,817
Total Adjusted Threshold Basis Limit:	\$6,731,593

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
Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	51.986%

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

This project involves the substantial rehabilitation of 5 scattered-site buildings. It is also Phase II of a 16 unit rental housing development known as Avon Dakota Phase I (CA-2012-007). Both phases are under the same management, Related Management Company, and general partners, The Related Companies of CA. The phases will be located adjacent to each other and will share the same management (overseeing a total of 37 units). They also have a joint-use agreement to share laundry facilities. Both phases, along with another adjacent property known as Vintage Crossings (CA-2010-210; formerly known as: South Street Anaheim), also operated by the same management agent, Related Management Company, have entered into a Joint Use Agreement to share services, community room, play/recreational facilities, and management/ leasing offices (serving 129 units total). These facilities and services are located at Vintage Crossings.

All units located at 606 E Avon Place are billed every two months directly from the City of Anaheim for street, trash, and sewer at a flat rate of \$28.

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, City of Anaheim, has completed a site review of this project and strongly supports this project.

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
\$605,843	\$2,019,477

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, service every 30 minutes in rush hours	5	5	5
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 1/4 mile of a public elementary school within the attendance area	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20.0%	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.