

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Placed In Service
November 15, 2017

Project Number CA-14-872

Project Name Heritage II
Site Address: 300 Burton Mesa Blvd.
Lompoc, CA 93436 County: Santa Barbara
Census Tract: 28.080

Tax Credit Amounts	Federal/Annual	State/Total
Reserved at PR:	\$281,810	\$0
Recommended at PIS:	\$337,314	\$0

Owner Information

Owner: Heritage II, L.P.
Contact: Russell A. Khouri
Address: 1667 East Lincoln Ave.
Orange, CA 92865
Phone: 714-283-5800 Fax: 714-637-3196
Email: russk@investmentconceptsinc.com

General Partner(s) or Principal Owner(s): Investment Concepts, Inc.
Foundation for Affordable Housing II, Inc.

General Partner Type: Joint Venture

Parent Company(ies): Investment Concepts, Inc.
Foundation for Affordable Housing II, Inc.

Developer: Investment Concepts, Inc.

Investor: Investment Concepts, Inc.

Management Agent: Investment Concepts, Inc.

Placed in Service Date: July 22, 2016

Federal Rate: 3.18%

% of Aggregate Basis Financed with Tax-Exempt Bond Proceeds: 80.29%

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 20
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 8
 Number of Units @ or below 60% of area median income: 71

Bond Information

Issuer: California Statewide Communities Development Authority
 Date of Issuance: May 29, 2014
 Credit Enhancement: EastWest Bank / Letter of Credit

Information

Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

44 1-Bedroom Units
 36 2-Bedroom Units

 80 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>
39 1 Bedroom	60%	60%	\$1,012
32 2 Bedrooms	60%	60%	\$1,215
4 1 Bedroom	50%	50%	\$843
4 2 Bedrooms	50%	50%	\$1,012
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Estimated Residential Cost

Estimated Construction Cost/Square Foot: \$84
 Estimated Per Unit Cost: \$125,000

Residential Cost

Construction Cost Per Square Foot: \$111
 Per Unit Cost: \$115,501

Permanent Financing at PR

<u>Source</u>	<u>Amount</u>
East West Bank	\$7,000,000
Deferred Developer Fee	\$493,638
Tax Credit Equity	\$2,506,362
TOTAL	\$10,000,000

Permanent Financing at PIS

<u>Source</u>	<u>Amount</u>
East West Bank	\$6,240,000
Cash Flow from Operations	\$52
Tax Credit Equity	\$3,000,003
TOTAL	\$9,240,055

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,342,894
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Derived Qualified Basis:	\$10,607,358
Total Maximum Annual Federal Credit:	\$337,314
Approved Developer Fee (in Project Cost & Eligible Basis):	\$15,250
Investor:	Investment Concepts, Inc.
Federal Tax Credit Factor:	\$0.88938

Per Regulation Section 10322(i)(4)(A), 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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$8,342,894
Actual Eligible Basis:	\$8,342,894
Unadjusted Threshold Basis Limit:	\$19,249,608
Total Adjusted Threshold Basis Limit:	\$21,678,267

Adjustments to Basis Limit:

Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 meet/exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from Year 1 through Year 15.

Special Issues/Other Significant Information:

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. TCAC staff will confirm the required experience or training prior to issuing the Forms 8609.

Additional Conditions: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year within 1/4 mile
- Wellness services and programs providing individualized support for tenants on-site, minimum of 100 hours within 1/4 mile