

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Oakcrest Heights (Savi Ranch II), located at the Southeast corner of Old Canal Road and Eastpark Drive in Yorba Linda, requested \$1,586,256 in annual federal credits, but is being recommended for a reservation of \$1,582,619 in annual federal tax credits (see "**Special Issues/Other Significant Information**" section) to finance the new construction of 53 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 CA and will be located in Senate District 55 and Assembly District 29.

The project will be receiving rental assistance in the form of a MHSA COSR. The project financing includes state funding from MHSA through CalHFA.

Project Number CA-16-018

Project Name Oakcrest Heights (Savi Ranch II)
 Site Address: Southeast corner of Old Canal Road and Eastpark Drive
 Yorba Linda, CA 92885 County: Orange
 Census Tract: 219.240

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,586,256	\$0
Recommended:	\$1,582,619	\$0

Applicant Information

Applicant: National Community Renaissance of California
 Contact: Lorna Contreras
 Address: 9421 Haven Avenue
 Rancho Cucamonga, CA 91730
 Phone: (909) 204-3445 Fax: (909) 483-2448
 Email: lcontreras@nationalcore.org

General Partner(s) / Principal Owner(s): Southern California Housing Development Corporation of Orange
 General Partner Type: Nonprofit
 Parent Company(ies): National Community Renaissance of CA
 Developer: National Community Renaissance of CA
 Investor/Consultant: Raymond James
 Management Agent(s): National Community Renaissance of CA

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 54
 No. & % of Tax Credit Units: 53 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 16 30 %
 45% AMI: 15 25 %
 50% AMI: 16 30 %

Information

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

Unit Mix

9 1-Bedroom Units
 27 2-Bedroom Units
 18 3-Bedroom Units

 54 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	30%	15%	\$260
2 1 Bedroom	45%	45%	\$784
7 2 Bedrooms	30%	12%	\$260
7 2 Bedrooms	45%	42%	\$883
10 2 Bedrooms	50%	46%	\$981
3 2 Bedrooms	60%	56%	\$1,177
2 3 Bedrooms	30%	27%	\$654
6 3 Bedrooms	45%	40%	\$981
6 3 Bedrooms	50%	45%	\$1,090
3 3 Bedrooms	60%	54%	\$1,308
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,437,880
Construction Costs	\$11,903,768
Rehabilitation Costs	\$0
Construction Contingency	\$843,904
Relocation	\$0
Architectural/Engineering	\$905,000
Construction Interest, Perm Financing	\$959,393
Legal Fees, Appraisals	\$107,500
Reserves	\$279,807
Other Costs	\$1,881,222
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$24,718,474

Project Financing

Estimated Total Project Cost:	\$24,718,474
Estimated Residential Project Cost:	\$24,718,474
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$153
Per Unit Cost:	\$457,750
Effective Per Unit Cost*:	\$457,248

Construction Financing

Source	Amount
Citibank	\$14,105,000
City of Yorba Linda	\$2,600,434
CalHFA - MHSA	\$1,699,143
AHP	\$530,000
Tax Credit Equity	\$4,361,024

Permanent Financing

Source	Amount
Citibank	\$1,967,978
Citibank Subordinate Loan	\$485,000
City of Yorba Linda	\$2,600,434
CalHFA - MHSA	\$1,699,143
AHP	\$530,000
Deferred Developer Fee	\$27,108
Tax Credit Equity	\$17,408,811
TOTAL	\$24,718,474

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,050,877
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (4%)	\$639,315
Qualified Basis:	\$17,626,825
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,582,619
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$1.10000

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:	\$14,050,877
Actual Eligible Basis:	\$14,050,877
Unadjusted Threshold Basis Limit:	\$11,270,196
Total Adjusted Threshold Basis Limit:	\$14,050,877

Adjustments to Basis Limit

Day Care Center

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

- New construction: project buildings are at least 15% more energy efficient than 2013 Energy Efficiency Standards as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	27.669%

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 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. 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

TCAC staff noted a total of \$40,000 of syndication costs in the development budget. TCAC staff has reduced the cost and corresponding tax credit equity from the development budget resulting in a slight decrease to the annual federal credit to \$1,582,619 from the requested amount of \$1,586,256.

The applicant’s estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

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, the City of Yorba Linda, 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
\$1,582,619	\$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 ten 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
Credit Reduction	20	3	3
Public Funds	20	17	17
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	6	6	6
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	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
Licensed child care, available 20 hrs/week or more, M-F	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	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	133

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.