

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

REVISED

Paseo de los Heroes III, located at 91180 Avenue 64 in Mecca, requested and is being recommended for a reservation of \$2,180,808 in annual federal tax credits and \$7,269,360 in total state tax credits to finance the new construction of 80 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Coachella Valley Housing Coalition and will be located in Senate District 28 and Assembly District 56.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-17-060

Project Name Paseo de los Heroes III
Site Address: 91180 Avenue 64
Mecca, CA 92254 County: Riverside
Census Tract: 456.040

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,180,808	\$7,269,360
Recommended:	\$2,180,808	\$7,269,360

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

Applicant Information

Applicant: Paseo III Housing Associates, L.P.
Contact: Julie Bornstein
Address: 45701 Monroe Street Ste, G
Indio, CA 92201
Phone: 760-347-3157 **Fax:** 760-342-6466
Email: julie.bornstein@cvhc.org

General Partner(s) / Principal Owner(s): Coachella Valley Housing Coalition
General Partner Type: Nonprofit
Parent Company(ies): Coachella Valley Housing Coalition
Developer: Coachella Valley Housing Coalition
Investor/Consultant: Community Economics
Management Agent(s): Hyder Professional Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 11
 Total # of Units: 81
 No. & % of Tax Credit Units: 80 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA 514 / USDA RHS 521 Rental Subsidy (80 units / 100%)
 Utility Allowance: CUAC
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 13 15 %
 40% AMI: 20 25 %
 45% AMI: 10 10 %
 50% AMI (Rural): 37 45 %

Information

Set-Aside: Rural apportionment (Section 514)
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Jack Waegell

Unit Mix

16 2-Bedroom Units
 54 3-Bedroom Units
11 4-Bedroom Units
 81 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 2 Bedrooms	30%	30%	\$432
2 2 Bedrooms	40%	40%	\$576
11 2 Bedrooms	50%	50%	\$720
7 3 Bedrooms	30%	30%	\$498
16 3 Bedrooms	40%	40%	\$665
10 3 Bedrooms	45%	45%	\$748
20 3 Bedrooms	50%	50%	\$831
3 4 Bedrooms	30%	30%	\$556
2 4 Bedrooms	40%	40%	\$742
6 4 Bedrooms	50%	50%	\$927
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$24,548,700

Project Cost Summary at Application

Land and Acquisition	\$596,692
Construction Costs	\$20,662,315
Rehabilitation Costs	\$0
Construction Contingency	\$1,676,284
Relocation	\$0
Architectural/Engineering	\$1,129,823
Const. Interest, Perm. Financing	\$1,568,946
Legal Fees, Appraisals	\$85,000
Reserves	\$313,014
Other Costs	\$3,101,414
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$30,533,489

Project Financing

Estimated Total Project Cost:	\$30,533,489
Estimated Residential Project Cost:	\$30,533,489
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$212
Per Unit Cost:	\$376,957
True Cash Per Unit Cost*:	\$376,957

Construction Financing

Source	Amount
Wells Fargo Bank	\$21,000,000
USDA 514	\$5,300,000
Riverside County 2011 Housing Bond	\$850,000
Tax Credit Equity	\$2,500,000

Permanent Financing

Source	Amount
USDA 514	\$5,300,000
Riverside County 2011 Housing Bond	\$850,000
General Partner Equity	\$17,592
Tax Credit Equity	\$24,365,897
TOTAL	\$30,533,489

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,231,201
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$24,231,201
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,180,808
Total State Credit:	\$7,269,360
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.85062
State Tax Credit Factor:	\$0.80000

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:	\$24,231,201
Actual Eligible Basis:	\$29,265,615
Unadjusted Threshold Basis Limit:	\$25,483,759
Total Adjusted Threshold Basis Limit:	\$28,831,200

Adjustments to Basis Limit

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

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Local Development Impact Fees

Tie-Breaker Information

First: **Large Family**
 Final: **30.210%**

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. 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:

Washers and dryers will be provided in each unit free of charge to the tenants.

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 Housing Authority of the County of Riverside Economic Development Agency, 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
\$2,180,808	\$7,269,360

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 station or public bus stop	3	3	3
Rural project within 1 mile of a public park or community center	3	3	3
Rural project within 2 miles of a book-lending public library	2	2	2
Rural project within 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Rural project within 3/4 mile of a public elementary school project children may attend	3	3	3
Rural project within 1.5 miles of a medical clinic or hospital	2	2	2
Rural project within 2 miles of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
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
NEW CONSTRUCTION			
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.