

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Washington Street Apartments, located at 42800 Washington Street in La Quinta, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$3,781,988 in total state tax credits to finance the new construction of 66 units and rehabilitation of 72 units of housing serving seniors with rents affordable to households earning 30-60% 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 42.

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

Project Number CA-17-140

Project Name Washington Street Apartments
Site Address: 42800 Washington Street
La Quinta, CA 92253 County: Riverside
Census Tract: 452.140

| Tax Credit Amounts | Federal/Annual | State/Total * |
|---------------------------|-----------------------|----------------------|
| Requested: | \$2,500,000 | \$3,781,988 |
| Recommended: | \$2,500,000 | \$3,781,988 |

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

Applicant Information

Applicant: Coachella Valley Housing Coalition
Contact: Julie Bornstein
Address: 45701 Monroe Street, Suite 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 and Rehabilitation
 Total # Residential Buildings: 19
 Total # of Units: 140
 No. & % of Tax Credit Units: 138 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 515 / USDA RHS 521 Rental Assistance (72 units - 52%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 24 15 %
 40% AMI: 21 15 %
 50% AMI: 90 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Diane SooHoo

Unit Mix

138 1-Bedroom Units
 1 2-Bedroom Units
 1 3-Bedroom Units

 140 Total Units

| Unit Type & Number | 2017 Rents Targeted % of Area Median Income | 2017 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|-------------------------------|--|--|--|
| 24 1 Bedroom | 30% | 30% | \$363 |
| 21 1 Bedroom | 40% | 40% | \$484 |
| 90 1 Bedroom | 50% | 50% | \$605 |
| 3 1 Bedroom | 60% | 60% | \$726 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |
| 1 3 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Projected Lifetime Rent Benefit: \$32,503,680

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$6,785,000 |
| Construction Costs | \$13,776,759 |
| Rehabilitation Costs | \$13,061,914 |
| Construction Contingency | \$3,336,963 |
| Relocation | \$375,000 |
| Architectural/Engineering | \$968,925 |
| Const. Interest, Perm. Financing | \$1,839,514 |
| Legal Fees, Appraisals | \$95,000 |
| Reserves | \$1,073,036 |
| Other Costs | \$2,224,034 |
| Developer Fee | \$1,400,000 |
| Commercial Costs | \$0 |
| Total | \$44,936,145 |

Project Financing

| | |
|-------------------------------------|--------------|
| Estimated Total Project Cost: | \$44,936,145 |
| Estimated Residential Project Cost: | \$44,936,145 |
| Estimated Commercial Project Cost: | \$0 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$254 |
| Per Unit Cost: | \$320,972 |
| True Cash Per Unit Cost*: | \$320,972 |

Construction Financing

| Source | Amount |
|-----------------------------|--------------|
| Wells Fargo | \$23,434,885 |
| USDA RHS 515 - Assumed | \$629,260 |
| City of La Quinta Plan Loan | \$2,366,722 |
| City of La Quinta** | \$15,058,288 |
| Tax Credit Equity | \$2,500,000 |

Permanent Financing

| Source | Amount |
|-----------------------------|---------------------|
| USDA RHS 515 - Assumed | \$629,260 |
| City of La Quinta Plan Loan | \$2,366,722 |
| City of La Quinta** | \$15,058,288 |
| General Partner Equity | \$1,285 |
| Tax Credit Equity | \$26,880,590 |
| TOTAL | \$44,936,145 |

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

**Property and Construction Loan

Determination of Credit Amount(s)

| | |
|---|---------------------|
| Requested Eligible Basis (New Construction and Rehabilitation): | \$27,777,778 |
| 130% High Cost Adjustment: | No |
| Applicable Fraction: | 100.00% |
| Qualified Basis (New Construction and Rehabilitation): | \$27,777,778 |
| Applicable Rate: | 9.00% |
| Total Maximum Annual Federal Credit: | \$2,500,000 |
| Total State Credit: | \$3,781,988 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$1,400,000 |
| Investor/Consultant: | Community Economics |
| Federal Tax Credit Factor: | \$0.95420 |
| 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: | \$27,777,778 |
| Actual Eligible Basis: | \$36,131,632 |
| Unadjusted Threshold Basis Limit: | \$29,497,182 |
| Total Adjusted Threshold Basis Limit: | \$31,182,170 |

Adjustments to Basis Limit

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

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

Tie-Breaker Information

| | |
|--------|----------------|
| First: | Seniors |
| Final: | 66.262% |

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 rehabilitation of an existing development on-site that includes 72 one-bedroom units plus 1 two-bedroom manager’s unit and the new construction of 66 one-bedroom units plus 1 three-bedroom manager’s unit. The existing development has USDA RHS 521 Rental Assistance covering 72 units and a remaining USDA RHS 515 loan of \$629,260.

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 La Quinta, 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 |
| \$2,500,000 | \$3,781,988 |

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 1/8 mile of transit (van or dial-a-ride service for rural set-aside) | 4 | 4 | 4 |
| Within 1/2 mile of public park or community center open to general public | 3 | 3 | 3 |
| Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf | 5 | 5 | 5 |
| Within 1/2 mile of medical clinic or hospital | 3 | 3 | 3 |
| Within 1/2 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 |
| 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: GreenPoint Rated | 5 | 5 | 5 |
| REHABILITATION | | | |
| Develop project in accordance w/ requirements of: GreenPoint Rated EHM | 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.