

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2024 Second Round

October 2, 2024

Highland Manor, located at 1128 West Highland Street in Santa Ana, requested and is being recommended for a reservation of \$481,847 in annual federal tax credits to finance the acquisition and rehabilitation of 12 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Valued Housing II, LLC and is located in Senate District 34 and Assembly District 68.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-24-082

Project Name Highland Manor
Site Address: 1128 West Highland Street
Santa Ana, CA 92703
County: Orange
Census Tract: 749.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$481,847	\$0
Recommended:	\$481,847	\$0

Applicant Information

Applicant: Highland Manor II, L.P.
Contact: Peter Barker
Address: 1101 East Orangewood Avenue, Suite 200
Anaheim, CA 92805
Phone: 714-533-3450
Email: pbarker@barkermgt.com

General Partner(s) / Principal Owner(s): Lutheran Gardens Corp.
VH Acquisitions III, LLC
General Partner Type: Joint Venture
Parent Company(ies): Lutheran Gardens Corp.
Valued Housing II LLC
Developer: Valued Housing II, LLC
Investor/Consultant: R4 Capital LLC
Management Agent(s): Barker Management, Inc.

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 12
 No. & % of Tax Credit Units: 12 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Contract (12 Units - 100%)

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: N/A
 CTCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	2	15%
At or Below 40% AMI:	2	15%
At or Below 50% AMI:	5	40%
At or Below 60% AMI:	3	25%

Unit Mix

12 3-Bedroom Units
 12 Total Units

<u>Unit Type & Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 3 Bedrooms	30%	\$1,231
2 3 Bedrooms	40%	\$1,641
5 3 Bedrooms	50%	\$2,051
3 3 Bedrooms	60%	\$2,462

Project Cost Summary at Application

Land and Acquisition	\$6,970,000
Construction Costs	\$0
Rehabilitation Costs	\$1,356,524
Construction Contingency	\$204,252
Relocation	\$171,570
Architectural/Engineering	\$242,000
Const. Interest, Perm. Financing	\$1,211,175
Legal Fees	\$250,000
Reserves	\$369,920
Other Costs	\$718,865
Developer Fee	\$700,602
Commercial Costs	\$0
Total	\$12,194,908

Residential

Construction Cost Per Square Foot:	\$100
Per Unit Cost:	\$1,016,242
True Cash Per Unit Cost*:	\$728,170

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$3,480,000	Citibank	\$3,480,000
Seller Carryback	\$5,604,768	Seller Carryback	\$3,456,865
Net Operating Income	\$349,375	Net Operating Income	\$349,375
Acquired Reserves	\$523,860	Acquired Reserves	\$523,860
Deferred Costs	\$351,920	Tax Credit Equity	\$4,384,808
Deferred Developer Fee	\$350,302	TOTAL	\$12,194,908
Tax Credit Equity	\$1,534,683		

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$1,853,220
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,625,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,409,186
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$6,625,500
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$216,827
Maximum Annual Federal Credit, Acquisition:	\$265,020
Total Maximum Annual Federal Credit:	\$481,847
Approved Developer Fee (in Project Cost & Eligible Basis):	\$700,602
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$0.91000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	At-Risk
Self-Score Final:	36.216%
CTCAC Final:	36.216%

Significant Information / Additional Conditions

Development costs are approximately \$728,170 per unit. The factors affecting this include high acquisition cost, significant relocation cost, and fixed costs (such as legal fees, financing fees, etc.) being spread out over the small number of project units.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds CTCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The applicant's estimate for annual replacement reserves is below the published per unit minimum required for this type of project. Under regulation section 10327(a), initial application errors of \$100,000 or less shall be deemed covered by the contingency line item. At the submission of the next required updated CTCAC application and all subsequent submissions to CTCAC, the applicant must meet the requirement of regulation section 10327(c)(7)(a).

As allowed for projects with less than 16 units by regulation section 10325(f)(7)(J), the project plans do not include a manager unit.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC 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 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit, service every 30 minutes in rush hours	6	6	6
Within 3/4 mile of public park or community center open to general public	2	2	2
Within 1/2 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1 mile of a public high school	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. 30 hrs/yr instruction	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	109	109	109

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 REAPPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.