

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Alpine Family Apartments, located at between 1460-1464 Marshall Road in Alpine, requested and is being recommended for a reservation of \$1,247,448 in annual federal tax credits to finance the new construction of 37 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 Milestone Housing Group, LLC and will located in Senate District 38 and Assembly District 71.

Project Number CA-20-065

Project Name Alpine Family Apartments
Site Address: 1460-1464 Marshall Road
Alpine, CA 91901 County: San Diego
Census Tract: 212.050

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,247,448	\$0
Recommended:	\$1,247,448	\$0

Applicant Information

Applicant: Alpine Family Apartments, LP
Contact: Marcus Griffin
Address: 481 N. Santa Cruz Ave., Suite 310
Los Gatos CA, 95030
Phone: 727.204.8128
Email: marcus@milestonehousing.com

General Partner(s) / Principal Owner(s): Pacific Housing, Inc.
Alpine Milestone GP, LLC

General Partner Type: Joint Venture
Parent Company(ies): Pacific Housing, Inc.
Milestone Housing Group, LLC

Developer: Milestone Housing Group, LLC
Investor/Consultant: CREA
Management Agent(s): FPI Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 4
Total # of Units: 38
No. & % of Tax Credit Units: 37 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 35% AMI: 4	10%
At or Below 45% AMI: 4	10%
At or Below 55% AMI (Rural): 23	50%

Unit Mix

17 1-Bedroom Units
 11 2-Bedroom Units
 10 3-Bedroom Units

 38 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	30%	30%	\$601
1 2 Bedrooms	30%	30%	\$722
1 3 Bedrooms	30%	30%	\$834
2 1 Bedroom	40%	40%	\$802
1 2 Bedrooms	40%	40%	\$963
1 3 Bedrooms	40%	40%	\$1,113
11 1 Bedroom	50%	50%	\$1,003
6 2 Bedrooms	50%	50%	\$1,203
6 3 Bedrooms	50%	50%	\$1,391
2 1 Bedroom	60%	60%	\$1,203
2 2 Bedrooms	60%	60%	\$1,444
2 3 Bedrooms	60%	60%	\$1,669
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,828,500
Construction Costs	\$11,022,517
Rehabilitation Costs	\$0
Construction Contingency	\$729,137
Relocation	\$0
Architectural/Engineering	\$875,000
Const. Interest, Perm. Financing	\$1,051,211
Legal Fees	\$161,500
Reserves	\$105,731
Other Costs	\$1,593,833
Developer Fee	\$2,150,471
Commercial Costs	\$0
Total	\$19,517,900

Residential

Construction Cost Per Square Foot:	\$323
Per Unit Cost:	\$513,629
True Cash Per Unit Cost*:	\$495,092

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$10,055,000	Citibank	\$2,600,000
County of San Diego	\$3,852,000	County of San Diego	\$4,280,000
Accrued Interest	\$128,920	Accrued Interest	\$128,920
Operating Reserve	\$105,731	Deferred Developer Fee	\$704,396
Deferred Developer Fee	\$1,516,150	Tax Credit Equity	\$11,804,584
Tax Credit Equity	\$3,860,099	TOTAL	\$19,517,900

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,661,951
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,860,536
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,247,448
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,150,471
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.94630

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,661,951
Actual Eligible Basis:	\$16,486,951
Unadjusted Threshold Basis Limit:	\$12,156,071
Total Adjusted Threshold Basis Limit:	\$14,635,799

Adjustments to Basis Limit

Local Development Impact Fees
Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Large Family
Final:	42.053%

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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

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 County of San Diego, has completed a site review of this project and strongly supports this project.

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.

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)(5) 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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 (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public middle school for Rural Set-Aside	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	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	113	113	113

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.