

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 27, 2010

Project Number CA-2010-841

Project Name Coventry Court
 Site Address: 17100 Cambridge Way
 Tustin, CA 92780 County: Orange
 Census Tract: 755.150

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$416,361	\$0
Recommended:	\$416,361	\$0

Applicant Information

Applicant: Tustin Coventry Seniors, LP
 Contact: Kasey Burke
 Address: 1640 S. Sepulveda Blvd. #425
 Los Angeles CA 90025
 Phone: 310-575-3543 Fax: 310-575-3563
 Email: kburke@metahousing.com

General partner(s) or principal owner(s): Western Community Housing, Inc.
 Tustin Coventry Seniors, LLC

General Partner Type: Joint Venture
 Developer: Meta Housing Corporation
 Investor/Consultant: Red Stone Equity Partners
 Management Agent: Western Seniors Housing

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 10
 Total # of Units: 240
 No. & % of Tax Credit Units: 97 40.76%
 Federal Set-Aside Elected: 40%/60% Test
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 36
 Number of Units @ or below 60% of area median income: 61

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: DC Navarrette

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: 12/10/2010
 Credit Enhancement: N/A

Unit Mix

80 1-Bedroom Units
160 2-Bedroom Units
 240 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
36 1 Bedroom	50%	50%	\$871
44 1 Bedroom	60%	60%	\$1,045
17 2 Bedrooms	60%	60%	\$1,255
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,778
21 2 Bedrooms	Market Rate	Market Rate	\$1,778
30 2 Bedrooms	Market Rate	Market Rate	\$1,875
3 2 Bedrooms	Market Rate	Market Rate	\$1,925
27 2 Bedrooms	Market Rate	Market Rate	\$1,925
40 2 Bedrooms	Market Rate	Market Rate	\$2,150
20 2 Bedrooms	Market Rate	Market Rate	\$2,400

Project Financing

Estimated Total Project Cost: \$48,594,048 Construction Cost Per Square Foot: \$74
 Per Unit Cost: \$202,475

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$38,000,000	Citi Community Capital	\$39,921,178
Johnston Capital Markets - TE Bonds	\$6,000,000	Johnston Capital Markets - TE Bonds	\$2,988,332
Developer Equity	\$1,038,873	Freddie Mac Deposit	\$399,212
Deferred Costs	\$1,055,175	Developer Equity	\$2,370,802
Deferred Developer Fee	\$2,500,000	Tax Credit Equity	\$2,914,524
		TOTAL	\$48,594,048

Determination of Credit Amount(s)

Requested Eligible Basis:	\$42,909,510
130% High Cost Adjustment:	Yes
Applicable Fraction:	28.36%
Qualified Basis:	\$15,821,675
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$416,361
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.70000

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:	\$42,909,510
Actual Eligible Basis:	\$42,909,510
Unadjusted Threshold Basis Limit:	\$51,600,960
Total Adjusted Threshold Basis Limit:	\$67,748,720

Adjustments to Basis Limit:

- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 15%

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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, the City of Tustin , 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
\$416,361

State Tax Credits/Total
\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 an 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.

Additional Conditions: The applicant/owner is required to provide the tenants with educational classes and contract for services free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- 1) The project is a New Construction or Adaptive Reuse Project exceeding Title 24 Energy Standards by at least 10%.
- 2) At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill, or landscape amendments (30%).
- 3) Either a) flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons
- 4) Project will contain nonsmoking buildings or sections of buildings. Nonsmoking sections must consist of at least half the units within the building, and those units must be contiguous.