

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**October 21, 2015**

**REVISED**

Briar Crest + Rosecrest Apartments, located at 11681, 11682, 11701, 11702, and 11762 Stuart Drive, Garden Grove, CA, requested and is being recommended for a reservation of \$434,923 in annual federal tax credits to finance the acquisition and rehabilitation of 40 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Jamboree Housing Corporation and will be located in Senate District 34 and Assembly District 72.

**Project Number** CA-15-913

**Project Name** Briar Crest + Rosecrest Apartments  
Site Address: 11681, 11682, 11701, 11702 and 11762 Stuart Drive  
Garden Grove, CA 92483 County: Orange  
Census Tract: 885.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$434,923	\$0
Recommended:	\$434,923	\$0

**Applicant Information**

Applicant: Crest Housing Partners LP  
Contact: Marcy V. Finamore  
Address: 17701 Cowan, Suite 200  
Irvine, CA 92614  
Phone: 949-263-8676 Fax: 949-263-0647  
Email: mfinamore@jamboreehousing.com

General Partner(s) or Principal Owner(s): JHC- Crest Housing LLC  
General Partner Type: Nonprofit  
Parent Company(ies): Jamboree Housing Corporation  
Developer: Jamboree Housing Corporation  
Investor/Consultant: WNC & Associates Inc.  
Management Agent: John Stewart Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 5  
 Total # of Units: 41  
 No. & % of Tax Credit Units: 40 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 10  
 Number of Units @ or below 60% of area median income: 30

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: December 15, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: Orange County  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

1 SRO/Studio Units  
 21 1-Bedroom Units  
 17 2-Bedroom Units  
 2 3-Bedroom Units  


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 41 Total Units

<b>Unit Type &amp; Number</b>	<b>2015 Rents Targeted % of Area Median Income</b>	<b>2015 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
4 1 Bedroom	50%	48%	\$847
14 1 Bedroom	60%	53%	\$932
3 2 Bedrooms	50%	48%	\$1,016
5 2 Bedrooms	60%	55%	\$1,160
1 3 Bedrooms	60%	58%	\$1,409
1 1 Bedroom	50%	43%	\$759
2 1 Bedroom	60%	52%	\$915
1 2 Bedrooms	50%	42%	\$895
6 2 Bedrooms	60%	55%	\$1,150
1 SRO/Studio	50%	37%	\$600
1 2 Bedrooms	60%	57%	\$1,200
1 3 Bedrooms	60%	58%	\$1,409
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$7,105,000
Construction Costs	\$0
Rehabilitation Costs	\$3,688,373
Construction Contingency	\$474,539
Relocation	\$200,000
Architectural/Engineering	\$120,000
Construction Interest, Perm Financing	\$413,222
Legal Fees, Appraisals	\$117,500
Reserves	\$104,051
Other Costs	\$243,500
Developer Fee	\$1,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$13,966,185</b>

**Project Financing**

Estimated Total Project Cost:	\$13,966,185
Estimated Residential Project Cost:	\$13,966,185

**Residential**

Construction Cost Per Square Foot:	\$125
Per Unit Cost:	\$340,639

**Construction Financing**

Source	Amount
Citi	\$6,750,000
City of Garden Grove - HOME	\$123,896
Seller Carryback Loan	\$5,474,192
Net Operating Income	\$143,191
Deferred Developer Fee	\$561,566
Tax Credit Equity	\$913,340

**Permanent Financing**

Source	Amount
Citi	\$2,470,167
Citi - Subordinate Loan	\$410,000
City of Garden Grove - HOME	\$123,896
Seller Carryback Loan	\$5,474,192
Net Operating Income	\$143,191
Deferred Developer Fee	\$778,039
Tax Credit Equity	\$4,566,700
<b>TOTAL</b>	<b>\$13,966,185</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,522,036
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,078,330
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,178,647
Qualified Basis (Acquisition):	\$6,078,330
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$234,338
Maximum Annual Federal Credit, Acquisition:	\$200,585
Total Maximum Annual Federal Credit:	\$434,923
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,500,000
Investor/Consultant:	WNC & Associates Inc.
Federal Tax Credit Factor:	\$1.05000

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:	\$11,600,366
Actual Eligible Basis:	\$12,467,036
Unadjusted Threshold Basis Limit:	\$8,592,864
Total Adjusted Threshold Basis Limit:	\$11,600,366

**Adjustments to Basis Limit:**

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

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
  - Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
  - Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas
  - Project meets all requirements of US EPA Indoor Air Plus Program.
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 25%

**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 3.30% 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:**

Briar Crest + Rosecrest Apartments is a scattered-site project with the Briar Crest site (11681, 11682, 11701 and 11702 Stuart Drive) consisting of 32 studio, one, two and three-bedroom units and Rosecrest Apartments (11762 Stuart Drive) consisting of 10 one and two-bedroom units. The two sites are located less than 0.1 mile away from each other.

**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.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$434,923</b>	<b>\$0</b>

**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 a reservation 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 the following service amenities 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 and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year

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 TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:
  - (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).