

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016
REVISED

Springville Senior Apartments, located at the southwest corner of Camino Tierra Santa and Ponderosa Drive in Camarillo, requested and is being recommended for a reservation of \$913,182 in annual federal tax credits to finance the new construction of 103 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by A201 and will be located in Senate District 19 and Assembly District 44.

Project Number CA-16-902

Project Name Springville Senior Apartments
 Site Address: Southwest Corner of Camino Tierra Santa and Ponderosa Drive
 Camarillo, CA 93010 County: Ventura
 Census Tract: 6111005205.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$913,182	\$0
Recommended:	\$913,182	\$0

Applicant Information

Applicant: Fore Springville Senior Apartments, LP (to be formed)
 Contact: Mark Pilarczyk
 Address: 1741 Village Center Circle
 Las Vegas, NV 89134
 Phone: 408-203-1892 Fax: 702-562-6054
 Email: mpilarczyk@foreproperty.com

General Partner(s) or Principal Owner(s): CANV Construction Company, Inc.
 Housing On Merit
 General Partner Type: Joint Venture
 Parent Company(ies): Fore Property Company
 Housing On Merit
 Developer: CANV Construction Company, Inc.
 Investor/Consultant: R4 Capital LLC
 Management Agent: FPC Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 104
 No. & % of Tax Credit Units: 103 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 51
 Number of Units @ or below 60% of area median income: 52

Bond Information

Issuer: California Public Finance Authority
 Expected Date of Issuance: December 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

74 1-Bedroom Units
30 2-Bedroom Units
 104 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
30 1 Bedroom	60%	60%	\$1,051
7 1 Bedroom	60%	60%	\$1,051
29 1 Bedroom	49%	49%	\$858
8 1 Bedroom	49%	49%	\$858
15 2 Bedrooms	60%	60%	\$1,261
14 2 Bedrooms	49%	49%	\$1,030
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$100
Construction Costs	\$13,876,959
Rehabilitation Costs	\$0
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$1,000,000
Const. Interest, Perm. Financing	\$1,417,766
Legal Fees, Appraisals	\$240,000
Reserves	\$519,365
Other Costs	\$3,747,212
Developer Fee	\$2,884,912
Commercial Costs	\$0
Total	\$23,686,314

Project Financing

Estimated Total Project Cost:	\$23,686,314
Estimated Residential Project Cost:	\$23,686,314
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$171
Per Unit Cost:	\$227,753
True Cash Per Unit Cost*:	\$212,737

Construction Financing

<u>Source</u>	<u>Amount</u>
CITI - Tax Exempt Bonds	\$18,000,000
Deferred Reserve Funding	\$254,365
Deferred Developer Fee	\$2,165,149
Tax Credit Equity	\$3,266,800

Permanent Financing

<u>Source</u>	<u>Amount</u>
CITI - Tax Exempt Bonds	\$11,462,000
Net Operating Income	\$206,677
Deferred Developer Fee	\$1,561,637
Tax Credit Equity	\$10,456,000
TOTAL	\$23,686,314

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,117,660
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$28,752,958
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$913,182
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,884,912
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$1.14501

Per Regulation Section 10322(h)(9)(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:	\$22,117,660
Actual Eligible Basis:	\$22,117,660
Unadjusted Threshold Basis Limit:	\$26,727,810
Total Adjusted Threshold Basis Limit:	\$45,124,249

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: 49%

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 is below the minimum operating expenses established in the Regulations (See "Special Issues/Other Significant Information" Section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% 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

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$4,100. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$3,792 on agreement of the permanent lender and equity investor.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards of TCAC Regulation Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. Specifically, at least one of the co-general partners, CANV Construction Company, Inc. or Housing on Merit, and the management company, FPC Management, shall complete training as prescribed by TCAC prior to the project's placing in service.

Local Reviewing Agency

The Local Reviewing Agency, the City of Camarillo, 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
\$913,182

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 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 fifteen (15) 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
- Wellness services and programs providing individualized support for tenants off-site within 1/2 mile

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 becoming certified under Leadership in Energy & Environmental Design (LEED)
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes SILVER standard.