

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 14, 2016**

Sycamore Court, located at 10632 Bolsa Avenue in Garden Grove, requested and is being recommended for a reservation of \$609,252 in annual federal tax credits to finance the acquisition and rehabilitation of 77 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 Mariman & Co. and is located in Senate District 34 and Assembly District 72.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

**Project Number** CA-16-993

**Project Name** Sycamore Court  
 Site Address: 10632 Bolsa Avenue  
 Garden Grove, CA 92843 County: Orange  
 Census Tract: 992.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$609,252	\$0
Recommended:	\$609,252	\$0

**Applicant Information**

Applicant: 10632 Bolsa Avenue, LP  
 Contact: Shawn Boyd  
 Address: 500 Newport Center Drive, Suite 200  
 Newport Beach, CA 92660  
 Phone: 949-468-0851  
 Email: sb@mariman.com

General Partner(s) or Principal Owner(s): AOF Sycamore Court, LLC  
 SC-MCO, LLC

General Partner Type: Joint Venture

Parent Company(ies): AOF Pacific Affordable Housing Corporation  
 Mariman & Co.

Developer: Mariman & Co.

Investor/Consultant: National Equity Fund

Management Agent: QRM

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 6  
 Total # of Units: 78  
 No. & % of Tax Credit Units: 77 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (40% - 31 units)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 8  
 Number of Units @ or below 60% of area median income: 69

**Bond Information**

Issuer: California Public Finance Authority (CalPFA)  
 Expected Date of Issuance: February 15, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: Orange County  
 TCAC Project Analyst: Alex Ninh

**Unit Mix**

20 1-Bedroom Units  
 43 2-Bedroom Units  
15 3-Bedroom Units  
 78 Total Units

<u>Unit Type &amp; 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>
2 1 Bedroom	50%	50%	\$914
6 1 Bedroom	60%	60%	\$1,097
12 1 Bedroom	60%	60%	\$1,097
5 2 Bedrooms	50%	50%	\$1,097
13 2 Bedrooms	60%	60%	\$1,316
24 2 Bedrooms	60%	60%	\$1,316
1 3 Bedrooms	50%	50%	\$1,267
10 3 Bedrooms	60%	59%	\$1,493
4 3 Bedrooms	60%	59%	\$1,493
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$13,200,000
Construction Costs	\$0
Rehabilitation Costs	\$4,145,025
Construction Contingency	\$300,000
Relocation	\$234,000
Architectural/Engineering	\$150,000
Const. Interest, Perm. Financing	\$1,327,981
Legal Fees, Appraisals	\$180,000
Reserves	\$287,625
Other Costs	\$499,213
Developer Fee	\$2,445,158
Commercial Costs	\$0
<b>Total</b>	<b>\$22,769,002</b>

**Project Financing**

Estimated Total Project Cost:	\$22,769,002
Estimated Residential Project Cost:	\$22,769,002
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$57
Per Unit Cost:	\$291,910
True Cash Per Unit Cost*:	\$291,733

**Construction Financing**

Source	Amount
Jones Lang LaSalle	\$14,910,000
Series B Bond Proceeds	\$1,200,000
Operating Income	\$91,543
Deferred Costs	\$2,307,575
Tax Credit Equity	\$4,259,883

**Permanent Financing**

Source	Amount
Jones Lang LaSalle	\$14,910,000
Series B Bond Proceeds	\$1,200,000
Operating Income	\$91,543
Deferred Developer Fee	\$13,792
Tax Credit Equity	\$6,553,667
<b>TOTAL</b>	<b>\$22,769,002</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$6,197,101
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$12,549,110
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,197,101
Qualified Basis (Acquisition):	\$12,549,110
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$201,406
Maximum Annual Federal Credit, Acquisition:	\$407,846
Total Maximum Annual Federal Credit:	\$609,252
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,445,158
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$1.07569

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:	\$18,746,211
Actual Eligible Basis:	\$18,746,211
Unadjusted Threshold Basis Limit:	\$17,142,520
Total Adjusted Threshold Basis Limit:	\$18,856,772

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

**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 3.25% 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:** None.

**Local Reviewing Agency**

The Local Reviewing Agency, City of Garden Grove, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$609,252</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 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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The project will commit to having at least one (1) nonsmoking building. If the project only has one (1) building, it will be subject to a policy developed by the Sponsor that prohibits smoking in contiguous designated units. These restrictions will be incorporated into the lease agreements for the appropriate units.