

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 11, 2013**

Project Number CA-13-900
Project Name Baker Ranch Affordable
Site Address: Ranch Parkway South & Alton
Lake Forest, CA 92630 County: Orange
Census Tract: 524.220

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,793,120	\$0
Recommended:	\$1,793,120	\$0

Applicant Information

Applicant: Baker Ranch Affordable, 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): Baker Ranch Affordable, LLC
WCH Affordable IX, LLC
General Partner Type: Joint Venture
Parent Company(ies): Meta Housing Corporation
Western Community Housing
Developer: Meta Housing Corporation
Investor/Consultant: Red Stone Equity Partners
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 10
Total # of Units: 189
No. & % of Tax Credit Units: 187 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 167

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 20, 2013
 Credit Enhancement: N/A

Information

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

Unit Mix

57 1-Bedroom Units
 75 2-Bedroom Units
 57 3-Bedroom Units
 189 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	50%	50%	\$858
49 1 Bedroom	60%	60%	\$1,030
8 2 Bedrooms	50%	50%	\$1,030
67 2 Bedrooms	60%	60%	\$1,236
6 3 Bedrooms	50%	50%	\$1,190
51 3 Bedrooms	60%	60%	\$1,428
2 1 Bedroom	Manager's Unit	Manager's Unit	\$2,000

Project Financing

Estimated Total Project Cost: \$45,972,181
 Estimated Residential Project Cost: \$45,972,181

Residential

Construction Cost Per Square Foot: \$86
 Per Unit Cost: \$243,239

Construction Financing

<u>Source</u>	<u>Amount</u>
JP Morgan Chase	\$39,000,000
Series B TE Bonds	\$3,500,000
Deferred Developer Fee	\$648,016
Tax Credit Equity	\$2,824,165

Permanent Financing

<u>Source</u>	<u>Amount</u>
Cornerstone Real Estate Advisors, LLC	\$22,351,550
Series B TE Bonds	\$4,000,000
Deferred Developer Fee	\$792,871
Tax Credit Equity	\$18,827,760
TOTAL	\$45,972,181

Determination of Credit Amount(s)

Requested Eligible Basis:	\$43,103,854
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$56,035,010
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,793,120
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Red Stone Equity Partners
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:	\$43,103,854
Actual Eligible Basis:	\$43,103,854
Unadjusted Threshold Basis Limit:	\$43,103,019
Total Adjusted Threshold Basis Limit:	\$57,738,140

Adjustments to Basis Limit:

Local Development Impact Fees
 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 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 3.20% 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, the City of Lake Forest, 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	State Tax Credits/Total
\$1,793,120	\$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 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 any one of the following programs: Green Communities
- The project will exceed Title 24 Standards for New Construction / Adaptive Reuse by 17.5% of the California Building Code.