

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 29, 2014**

Project Number CA-14-807

Project Name Huntington Villa Yorba Apartments
Site Address: 16000 Villa Yorba Lane
Huntington Beach, CA 92647 County: Orange
Census Tract: 992.41

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,705,696	\$0
Recommended:	\$1,705,696	\$0

Applicant Information

Applicant: Huntington Villa Yorba Preservation Limited Partnership
Contact: Chuck Treach
Address: 21515 Hawthorne Blvd., Suite 125
Torrance, CA 90503
Phone: (310) 802-6681 Fax: (310) 802-6680
Email: chuck@preservationpartners.org

General Partner(s) or Principal Owner(s): Huntington Villa Yorba Preservation Partners, LLC
Huntington Villa Yorba Cornucopia, LLC
General Partner Type: Joint Venture
Parent Company(ies): Preservation Partners Development LP
Cornucopia Services
Developer: Preservation Partners Development III, LLC
Investor/Consultant: Union Bank
Management Agent: Preservation Partners Management Group

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 16
Total # of Units: 198
No. & % of Tax Credit Units: 195 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 contract (97% - 192 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 28
Number of Units @ or below 60% of area median income: 167

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: January 15, 2014
 Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: Orange County
 TCAC Project Analyst: Daniel Tran

Unit Mix

21 1-Bedroom Units
 157 2-Bedroom Units
 20 3-Bedroom Units

 198 Total Units

Unit Type & Number	2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 1 Bedroom	50%	50%	\$858
15 1 Bedroom	60%	60%	\$1,029
18 2 Bedrooms	50%	50%	\$1,030
134 2 Bedrooms	60%	60%	\$1,236
3 2 Bedrooms	60%	60%	\$1,236
4 3 Bedrooms	50%	50%	\$1,190
15 3 Bedrooms	60%	60%	\$1,428
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,675
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$2,005

Project Financing

Estimated Total Project Cost: \$60,857,369
 Estimated Residential Project Cost: \$60,857,369

Residential

Construction Cost Per Square Foot: \$43
 Per Unit Cost: \$307,360

Construction Financing

Source	Amount
Citi Community Capital / TE Bonds	\$31,000,000
City Community Capital - Taxable Debt	\$9,700,000
Operating Income	\$1,200,054
Deferred Developer Fee	\$537,630
Tax Credit Equity	\$18,419,685

Permanent Financing

Source	Amount
Citi Community Capital	\$40,700,000
Operating Income	\$1,200,054
Deferred Developer Fee	\$537,630
Tax Credit Equity	\$18,419,685
TOTAL	\$60,857,369

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,366,983
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$39,825,942
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,477,078
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$39,825,942
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$431,266
Maximum Annual Federal Credit, Acquisition:	\$1,274,430
Total Annual Federal Credit:	\$1,705,696
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$1.07989

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:	\$50,192,925
Actual Eligible Basis:	\$50,192,925
Unadjusted Threshold Basis Limit:	\$44,161,983
Total Adjusted Threshold Basis Limit:	\$50,344,661

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: 14%

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 are below the minimum operating expenses established in the Regulations (see Special Issues/Other Significant Information), 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:

Annual operating expenses are below the minimum established in Regulation as allowed per section 10327(g)(1). The applicant provided approval from the lender and investor as required per regulation.

Staff noted that the project is utilizing a vacancy rate of 3%, which is less than the 5% vacancy rate in Regulation, as allowed per section 10327(g)(3).

Local Reviewing Agency:

The Local Reviewing Agency, the City of Huntington Beach, 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
\$1,705,696	\$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: None