

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2014

Project Number CA-14-860

Project Name Pavilion Park Senior Housing
 Site Address: 100 Ridge Valley Drive
 Irvine, CA 92618 County: Orange
 Census Tract: 524.260

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,570,528	\$0
Recommended:	\$1,570,528	\$0

Applicant Information

Applicant: Pavilion Park Senior I Housing Partners, L.P.
 Contact: Frank Cardone
 Address: 18201 Von Karman Avenue, Suite 900
 Irvine, CA 92612
 Phone: (949) 660-7272 Fax: (949) 660-7273
 Email: fcardone@related.com

General Partner(s) or Principal Owner(s): Related/Pavilion Park Senior I Development Co., LLC
 Riverside Charitable Corporation

General Partner Type: Joint Venture

Parent Company(ies): The Related Companies of California
 Riverside Charitable Corporation

Developer: Related Development Company of California, LLC

Investor/Consultant: U.S. Bank, CDC

Management Agent: Related Management Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 3

Total # of Units: 221

No. & % of Tax Credit Units: 219 100.00%

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: 137

Number of Units @ or below 60% of area median income: 82

Bond Information

Issuer: California Statewide Communities Development Authority (CSCDA)
 Expected Date of Issuance: July 16, 2014
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Jack Waegell

Unit Mix

189 1-Bedroom Units
 32 2-Bedroom Units

 221 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
119 1 Bedroom	50%	50%	\$847
70 1 Bedroom	60%	60%	\$1,017
18 2 Bedrooms	50%	48%	\$981
12 2 Bedrooms	60%	60%	\$1,219
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$52,174,017
 Estimated Residential Project Cost: \$52,174,017

Residential

Construction Cost Per Square Foot: \$112
 Per Unit Cost: \$236,082

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank, N.A. - Construction Loan	\$28,896,739
Seller - Residual Receipt Loan	\$7,977,307
Seller - Donated Land Value	\$13,700,000
Tax Credit Equity	\$1,599,971

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank, N.A. - Permanent Loan (\$14,497,000
Seller - Residual Receipt Loan	\$7,977,307
Seller - Donated Land Value	\$13,700,000
Tax Credit Equity	\$15,999,710
TOTAL	\$52,174,017

Determination of Credit Amount(s)

Requested Eligible Basis: \$35,955,315
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$46,741,910
 Applicable Rate: 3.36%
 Total Maximum Annual Federal Credit: \$1,570,528
 Approved Developer Fee (in Project Cost & Eligible Basis): \$2,500,000
 Investor/Consultant: U.S. Bank, CDC
 Federal Tax Credit Factor: \$1.01875

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:	\$35,955,315
Actual Eligible Basis:	\$35,955,315
Unadjusted Threshold Basis Limit:	\$42,264,544
Total Adjusted Threshold Basis Limit:	\$76,472,661

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: 62%

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 3.36% 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: The project is located in Irvine on the east side of Ridge Valley Drive, beginning at approximately 1,500 feet north of Irvine Boulevard, near the northeast boundary of the decommissioned El Toro Marine Corps Air Station.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Irvine, 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
\$1,570,528	\$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 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.
- Wellness services and programs providing individualized support for tenants on-site for a minimum of 100 hours per year.