

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project**

**March 16, 2016**

Sendero Bluffs, located at northeast corner of Ortega Highway and Gateway Place in Rancho Mission Viejo, requested and is being recommended for a reservation of \$946,692 in annual federal tax credits to finance the new construction of 106 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Western National Properties and will be located in Senate District 36 and Assembly District 73.

**Project Number** CA-16-813

**Project Name** Sendero Bluffs  
Site Address: Northeast corner of Ortega Highway and Gateway Place  
Rancho Mission Viejo, CA 92694 County: Orange  
Census Tract: 320.560

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$946,692	\$0
Recommended:	\$946,692	\$0

**Applicant Information**

Applicant: Sendero Bluffs Senior Apartments, L.P.  
Contact: Jeff Scott  
Address: 8 Executive Circle  
Irvine CA 92614  
Phone: 949-862-6208 Fax: 949-862-6491  
Email: jscott@wng.com

General Partner(s) or Principal Owner(s): Ranch Plan Apartments III, LLC  
Hearthstone CA Properties I, LLC  
General Partner Type: Joint Venture  
Parent Company(ies): Western National Investments, Inc.  
Hearthstone Housing Foundation  
Developer: Western National Properties  
Investor/Consultant: Raymond James  
Management Agent: Western National Property Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 107  
 No. & % of Tax Credit Units: 106 100.00%  
 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: 32  
 Number of Units @ or below 60% of area median income: 74

**Bond Information**

Issuer: California Statewide Communities Development Authority (CSCDA)  
 Expected Date of Issuance: June 15, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Orange County  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

87 1-Bedroom Units  
 20 2-Bedroom Units  


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 107 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 1 Bedroom	50%	50%	\$878
61 1 Bedroom	60%	60%	\$1,054
6 2 Bedrooms	50%	50%	\$1,055
13 2 Bedrooms	60%	60%	\$1,266
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$0
Construction Costs	\$12,520,888
Rehabilitation Costs	\$0
Construction Contingency	\$602,492
Relocation	\$0
Architectural/Engineering	\$969,301
Construction Interest, Perm Financing	\$1,305,447
Legal Fees, Appraisals	\$126,000
Reserves	\$280,612
Other Costs	\$4,374,882
Developer Fee	\$2,872,619
Commercial Costs	\$0
<b>Total</b>	<b>\$23,052,241</b>

**Project Financing**

Estimated Total Project Cost:	\$23,052,241
Estimated Residential Project Cost:	\$23,052,241

**Residential**

Construction Cost Per Square Foot:	\$166
Per Unit Cost:	\$215,442

**Construction Financing**

Source	Amount
Citibank - Tax Exempt Bonds	\$17,700,000
Deferred Developer Fee	\$4,301,413
Tax Credit Equity	\$1,050,828

**Permanent Financing**

Source	Amount
Citibank - Tax Exempt Bonds	\$11,050,000
Deferred Developer Fee	\$1,493,960
Tax Credit Equity	\$10,508,281
<b>TOTAL</b>	<b>\$23,052,241</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$22,067,415
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$28,687,640
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$946,692
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,872,619
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$1.11000

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:	\$22,067,415
Actual Eligible Basis:	\$22,067,415
Unadjusted Threshold Basis Limit:	\$21,004,044
Total Adjusted Threshold Basis Limit:	\$27,305,257

**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: 30%

**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 3.30% 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:** N/A

**Local Reviewing Agency**

The Local Reviewing Agency, Orange County Community Services Department, has completed a site review of this project and 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>\$946,692</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:** N/A