

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**March 16, 2016**

Paramount Family Irvine Housing, located predominately on the west side of Hamel, north and south of the Hamel's intersection with the west end of Paramount, in Irvine, requested and is being recommended for a reservation of \$1,172,527 in annual federal tax credits to finance the new construction of 83 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Related Development Company of California, LLC and will be located in Senate District 37 and Assembly District 68.

**Project Number** CA-16-819

**Project Name** Paramount Family Irvine Housing  
**Site Address:** West side of Hamel, north and south of intersection with west end of Paramount  
Irvine, CA 92618 County: Orange  
**Census Tract:** 524.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,172,527	\$0
Recommended:	\$1,172,527	\$0

**Applicant Information**

**Applicant:** Paramount Family Irvine 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/Paramount Family Irvine Development Co., LLC  
Orange County Community Housing Corporation

**General Partner Type:** Joint Venture

**Parent Company(ies):** The Related Companies of California, LLC  
Orange County Community Housing Corporation

**Developer:** Related Development Company of California, LLC

**Investor/Consultant:** U.S. Bancorp Community Development Corp.

**Management Agent:** Related Management Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 8  
 Total # of Units: 84  
 No. & % of Tax Credit Units: 83 100.00%  
 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: 83

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: April 29, 2016  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

42 2-Bedroom Units  
 42 3-Bedroom Units  


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 84 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>
12 2 Bedrooms	50%	30%	\$633
29 2 Bedrooms	50%	46%	\$981
12 3 Bedrooms	50%	30%	\$730
30 3 Bedrooms	50%	45%	\$1,090
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$10,975,501
Construction Costs	\$17,828,401
Rehabilitation Costs	\$0
Construction Contingency	\$891,420
Relocation	\$0
Architectural/Engineering	\$2,038,000
Construction Interest, Perm Financing	\$1,357,000
Legal Fees, Appraisals	\$365,000
Reserves	\$192,566
Other Costs	\$3,780,112
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$39,928,000</b>

**Project Financing**

Estimated Total Project Cost:	\$39,928,000
Estimated Residential Project Cost:	\$39,928,000

**Residential**

Construction Cost Per Square Foot:	\$173
Per Unit Cost:	\$475,333

**Construction Financing**

Source	Amount
MUFG Union Bank, N.A.	\$17,500,000
Seller - Residual Receipt Loan	\$8,970,245
Seller - Donated Land Value	\$10,965,000
Deferred Developer Fee	\$1,250,000
Tax Credit Equity	\$1,242,755

**Permanent Financing**

Source	Amount
Seller - Residual Receipt Loan	\$16,535,453
Seller - Donated Land Value	\$10,965,000
Tax Credit Equity	\$12,427,547
<b>TOTAL</b>	<b>\$39,928,000</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$27,331,639
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$35,531,130
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,172,527
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$1.05989

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:	\$27,331,639
Actual Eligible Basis:	\$27,331,639
Unadjusted Threshold Basis Limit:	\$21,833,280
Total Adjusted Threshold Basis Limit:	\$45,263,986

**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: 100%

**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:** None.

**Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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>\$1,172,527</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:** None.