

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

D1 Senior Irvine Housing, located at Intersection of Hamal and Magnet in Irvine, requested and is being recommended for a reservation of \$1,468,071 in annual federal tax credits to finance the new construction of 156 units of housing serving seniors with rents affordable to households earning 50-60% 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-16-869

Project Name D1 Senior Irvine Housing
Site Address: Intersection of Hamal and Magnet
Irvine, CA 92618 County: Orange
Census Tract: 524.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,468,071	\$0
Recommended:	\$1,468,071	\$0

Applicant Information

Applicant: D1 Senior 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/D1 Senior Irvine Development Co., LLC
Riverside Charitable Corporation
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California, LLC
Riverside Charitable Corporation
Developer: Related Development Company of California, LLC
Investor/Consultant: U.S. Bancorp Community Development Corporation
Management Agent: Related Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 157
 No. & % of Tax Credit Units: 156 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 98
 Number of Units @ or below 60% of area median income: 58

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: May 31, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

12 SRO/Studio Units
 124 1-Bedroom Units
 21 2-Bedroom Units

 157 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12 SRO/Studio	50%	47%	\$763
81 1 Bedroom	50%	50%	\$872
43 1 Bedroom	60%	60%	\$1,054
5 2 Bedrooms	50%	46%	\$981
15 2 Bedrooms	60%	60%	\$1,266
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,140,501
Construction Costs	\$21,152,177
Rehabilitation Costs	\$0
Construction Contingency	\$1,057,609
Relocation	\$0
Architectural/Engineering	\$2,237,500
Const. Interest, Perm Financing	\$1,869,000
Legal Fees, Appraisals	\$367,000
Reserves	\$374,411
Other Costs	\$5,686,043
Developer Fee	\$4,530,000
Commercial Costs	\$0
Total	\$47,414,241

Project Financing

Estimated Total Project Cost:	\$47,414,241
Estimated Residential Project Cost:	\$47,414,241
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$167
Per Unit Cost:	\$302,002
Effective Per Unit Cost:	\$237,479

Construction Financing

Source	Amount
MUFG Union Bank - TE Bonds	\$25,305,225
Seller Loan	\$8,128,658
Land Donation	\$10,130,000
Deferred Developer Fee	\$2,265,000
Tax Credit Equity	\$1,585,358

Permanent Financing

Source	Amount
MUFG Union Bank - TE Bonds	\$11,272,000
Seller Loan	\$8,128,658
Land Donation	\$10,130,000
Deferred Developer Fee	\$2,030,000
Tax Credit Equity	\$15,853,583
TOTAL	\$47,414,241

Determination of Credit Amount(s)

Requested Eligible Basis:	\$34,747,247
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$45,171,421
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$1,468,071
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,530,000
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$1.07989

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:	\$34,747,247
Actual Eligible Basis:	\$34,747,247
Unadjusted Threshold Basis Limit:	\$28,815,408
Total Adjusted Threshold Basis Limit:	\$52,191,457

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 3.25% 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 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
\$1,468,071	\$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.