

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016

Sea Breeze Apartments, located at 3610 Samuel Avenue in Oxnard, requested and is being recommended for a reservation of \$612,530 in annual federal tax credits to finance the acquisition and rehabilitation of 91 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by MRK Partners, Inc. and is located in Senate District 19 and Assembly District 44.

Project Number CA-16-911

Project Name Sea Breeze Apartments
Site Address: 3610 Samuel Avenue
Oxnard, CA 93033 County: Ventura
Census Tract: 40.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$612,530	\$0
Recommended:	\$612,530	\$0

Applicant Information

Applicant: Sea Breeze Venture LP
Contact: Sydne Garchik
Address: 2711 N. Sepulveda Blvd., #526
Manhattan Beach, CA 90266
Phone: (310) 545-2587 **Fax:** (484) 210-0671
Email: sgarchik@mrkpartners.com

General Partner(s) or Principal Owner(s): Sea Breeze GP LLC
Pacific Southwest Community Development Corp.

General Partner Type: Joint Venture

Parent Company(ies): Sea Breeze GP LLC
Pacific Southwest Community Development Corp.

Developer: MRK Partners Inc.

Investor/Consultant: WNC Inc.

Management Agent: Apartment Management Consultants, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 11
 Total # of Units: 92
 No. & % of Tax Credit Units: 91 100.00%
 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: 10
 Number of Units @ or below 60% of area median income: 81

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Connie Harina

Unit Mix

68 1-Bedroom Units
 24 2-Bedroom Units

 92 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	50%	50%	\$876
60 1 Bedroom	60%	60%	\$1,051
3 2 Bedrooms	50%	50%	\$1,051
21 2 Bedrooms	60%	60%	\$1,261
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,015

Project Cost Summary at Application

Land and Acquisition	\$15,075,000
Construction Costs	\$0
Rehabilitation Costs	\$2,438,053
Construction Contingency	\$192,732
Relocation	\$15,000
Architectural/Engineering	\$100,000
Const. Interest, Perm. Financing	\$935,141
Legal Fees, Appraisals	\$235,000
Reserves	\$284,595
Other Costs	\$194,110
Developer Fee	\$2,446,779
Commercial Costs	\$0
Total	\$21,916,410

Project Financing

Estimated Total Project Cost:	\$21,723,678
Estimated Residential Project Cost:	\$21,723,678
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$14
Per Unit Cost:	\$236,127
True Cash Per Unit Cost*:	\$229,766

Construction Financing

Source	Amount
Jones Lang LaSalle Multifamily LLC	\$13,750,000
Construction Period Income	\$650,635
Deferred Developer Fee	\$585,218
Tax Credit Equity	\$6,737,826

Permanent Financing

Source	Amount
Jones Lang LaSalle Multifamily LLC	\$13,750,000
Construction Period Income	\$650,635
Deferred Developer Fee	\$585,218
Tax Credit Equity	\$6,737,825
TOTAL	\$21,723,678

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,135,035
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,623,601
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,075,545
Qualified Basis (Acquisition):	\$15,623,601
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$104,763
Maximum Annual Federal Credit, Acquisition:	\$507,767
Total Maximum Annual Federal Credit:	\$612,530
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,446,779
Investor/Consultant:	WNC Inc.
Federal Tax Credit Factor:	\$1.10000

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:	\$18,758,636
Actual Eligible Basis:	\$18,758,636
Unadjusted Threshold Basis Limit:	\$23,516,820
Total Adjusted Threshold Basis Limit:	\$25,868,502

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: 11%

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 meet 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 Oxnard, 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
\$612,530	\$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 complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.