

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Triangle Terrace, located at 555 South Shaffer Street in Orange, requested and is being recommended for a reservation of \$656,094 in annual federal tax credits to finance the acquisition and rehabilitation of 75 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Reiner Communities and is located in Senate District 37 and Assembly District 68.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-16-915

Project Name Triangle Terrace Apartments
Site Address: 555 South Shaffer Street
Orange, CA 92866 County: Orange
Census Tract: 759.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$656,094	\$0
Recommended:	\$656,094	\$0

Applicant Information

Applicant: Triangle Terrace Affordable, L.P.
Contact: Sean Burrowes
Address: 100 Spectrum Center Drive, Suite 830
Irvine, CA 92618
Phone: 949-753-0555 Fax: 949-753-7590
Email: sb@reinerllc.com

General Partner(s) or Principal Owner(s): OSH Triangle Terrace LLC
Triangle Terrace ALP, LLC
General Partner Type: Nonprofit
Parent Company(ies): Orange Senior Housing, Inc.
Triangle Terrace ALP, LLC
Developer: Reiner Communities
Investor/Consultant: MUFG Union Bank, NA
Management Agent: Living Opportunities Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 75
 No. & % of Tax Credit Units: 75 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (75 units - 100%)
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 34
 Number of Units @ or below 60% of area median income: 41

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: October 24, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

19 SRO/Studio Units
 56 1-Bedroom Units

 75 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>
9 SRO/Studio	50%	50%	\$853
10 SRO/Studio	60%	60%	\$1,024
25 1 Bedroom	50%	50%	\$914
31 1 Bedroom	60%	60%	\$1,097

Project Cost Summary at Application

Land and Acquisition	\$14,590,750
Construction Costs	\$0
Rehabilitation Costs	\$3,096,810
Construction Contingency	\$306,406
Relocation	\$47,500
Architectural/Engineering	\$153,689
Const. Interest, Perm. Financing	\$441,853
Legal Fees, Appraisals	\$88,100
Reserves	\$340,110
Other Costs	\$595,481
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$22,160,699

Project Financing

Estimated Total Project Cost:	\$22,160,699
Estimated Residential Project Cost:	\$22,160,699
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$77
Per Unit Cost:	\$295,476
True Cash Per Unit Cost*:	\$275,428

Construction Financing

Source	Amount
Citi Community Capital	\$13,600,000
Seller Carryback Note	\$1,500,000
Existing Reserves	\$300,000
Deferred Developer Fee	\$3,606
Tax Credit Equity	\$5,912,456

Permanent Financing

Source	Amount
Citi Community Capital	\$13,600,000
Seller Carryback Note	\$1,500,000
Existing Reserves	\$300,000
Deferred Developer Fee	\$3,606
Tax Credit Equity	\$6,757,093
TOTAL	\$22,160,699

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,522,502
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$15,665,028
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,522,502
Qualified Basis (Acquisition):	\$15,665,028
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$146,981
Maximum Annual Federal Credit, Acquisition:	\$509,113
Total Maximum Annual Federal Credit:	\$656,094
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	MUFG Union Bank, NA
Federal Tax Credit Factor:	\$1.02990

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:	\$20,187,530
Actual Eligible Basis:	\$20,187,530
Unadjusted Threshold Basis Limit:	\$13,074,466
Total Adjusted Threshold Basis Limit:	\$20,265,423

Adjustments to Basis Limit

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: 45%

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

In lieu of an on-site manager's unit, the project is committed to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property’s fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the right to require that an on-site managers’ unit be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

Local Reviewing Agency

The Local Reviewing Agency, the City of Orange, 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
\$656,094	\$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.