

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 19, 2016**

Newport Veterans Housing, located at 6001 Newport Shores Drive in Newport Beach, requested and is being recommended for a reservation of \$188,258 in annual federal tax credits to finance the acquisition and rehabilitation of 12 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Community Development Partners and is located in Senate District 37 and Assembly District 74.

The project will be receiving rental assistance in the form of HUD Project-based Veterans Affairs Supportive Housing (VASH) Vouchers.

Project Number CA-16-962

Project Name Newport Veterans Housing
Site Address: 6001 Newport Shores Drive
Newport Beach, CA 92663 **County:** Orange
Census Tract: 636.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$188,258	\$0
Recommended:	\$188,258	\$0

Applicant Information

Applicant: Newport Veterans Apartments LP
Contact: Eric Paine
Address: 3416 Via Oporto, Ste. 301
Newport Beach, CA 92663
Phone: (949) 467-1344 **Fax:** (949) 419-0952
Email: epaine@communitydevpartners.com

General Partner(s) or Principal Owner(s): CDP Newport LLC
Mercy House CHDO, Inc.
Affordable Housing Alliance II, Inc. dba Integrity Housing

General Partner Type: Joint Venture

Parent Company(ies): Community Development Partners
Mercy Housing Living Centers
Affordable Housing Alliance II, Inc. dba Integrity Housing

Developer: Community Development Partners

Investor/Consultant: National Equity Fund, Inc.

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 12
 No. & % of Tax Credit Units: 12 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based VASH Vouchers (6 units - 50%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 6
 Number of Units @ or below 50% of area median income: 5
 Number of Units @ or below 60% of area median income: 1

Bond Information

Issuer: CalHFA
 Expected Date of Issuance: March 21, 2017
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Orange County
 TCAC Project Analyst: Jack Waegell

Unit Mix

12 1-Bedroom Units
 12 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>
6 1 Bedroom	30%	28%	\$512
2 1 Bedroom	40%	37%	\$683
3 1 Bedroom	50%	47%	\$853
1 1 Bedroom	60%	56%	\$1,024

Project Cost Summary at Application

Land and Acquisition	\$3,495,000
Construction Costs	\$0
Rehabilitation Costs	\$1,040,400
Construction Contingency	\$104,040
Relocation	\$117,500
Architectural/Engineering	\$93,000
Const. Interest, Perm. Financing	\$161,857
Legal Fees, Appraisals	\$202,500
Reserves	\$303,113
Other Costs	\$129,753
Developer Fee	\$678,431
Commercial Costs	\$0
Total	\$6,325,594

Project Financing

Estimated Total Project Cost:	\$6,325,594
Estimated Residential Project Cost:	\$6,325,594
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$170
Per Unit Cost:	\$527,133
True Cash Per Unit Cost*:	\$519,530

Construction Financing

Source	Amount
Citi Community Capital	\$3,440,000
City of Newport Beach	\$1,975,000
Deferred Developer Fees	\$407,005
Tax Credit Equity	\$503,589

Permanent Financing

Source	Amount
CalHFA Perm Loan	\$1,575,000
CalHFA Soft Loan	\$280,000
City of Newport Beach	\$1,975,000
AHP	\$120,000
The Home Depot Foundation	\$240,000
CITI Salute Grant	\$30,000
Deferred Developer Fee	\$91,238
Tax Credit Equity	\$2,014,356
TOTAL	\$6,325,594

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$1,966,053
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,237,250
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,555,869
Qualified Basis (Acquisition):	\$3,237,250
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$83,047
Maximum Annual Federal Credit, Acquisition:	\$105,211
Total Maximum Annual Federal Credit:	\$188,258
Approved Developer Fee (in Project Cost & Eligible Basis):	\$678,431
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$1.07000

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:	\$5,203,303
Actual Eligible Basis:	\$5,203,303
Unadjusted Threshold Basis Limit:	\$2,164,680
Total Adjusted Threshold Basis Limit:	\$5,725,818

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Seismic Upgrading

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 41%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 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 3.25% 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

The project is intended to serve homeless veterans (6 units) subsidized by HUD Project-based VASH vouchers from Orange County Community Resources and seniors (6 units).

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. Specifically, at least one of the identified co-general partners, Affordable Housing Alliance II, Inc. dba Integrity Housing, Mercy Housing CHDO, Inc., or CDP Newport LLC shall complete training as prescribed by TCAC prior to the project placing in service.

Local Reviewing Agency

The Local Reviewing Agency, the City of Newport Beach, 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
\$188,258

State Tax Credits/Total
\$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.