

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 16, 2018

REVISED

Metro East Senior Park, located at 2222 East First Street in Santa Ana, requested and is being recommended for a reservation of \$5,642,711 in annual federal tax credits to finance the new construction of 415 units of housing serving seniors with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 34 and Assembly District 69.

Project Number CA-18-750

Project Name Metro East Senior Park

Site Address: 2222 East First Street

Santa Ana, CA 92705

County: Orange

Census Tract: 754.03

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$5,642,711 \$0

Recommended: \$5,642,711 \$0

Applicant Information

Applicant: Santa Ana Senior Associates, a California Limited Partnership

Contact: Caleb Roope

Address: 430 E. State Street, Suite 100

Eagle, ID 83616

Phone: 208.461.0022

Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings V, LLC

JHC-Metro East, LLC

General Partner Type: Joint Venture

Parent Company(ies): TPC Holdings V, LLC

Jamboree Housing Corporation

Developer: Pacific West Communities, Inc.

Investor/Consultant: City Real Estate Advisors (CREA)

Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 418

No. / % of Low Income Units: 415 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: June 11, 2018

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

| Aggregate Targeting Number of Units | Percentage of Affordable Units |
|--|---|
| At or Below 50% AMI: 42 | 10% |
| At or Below 60% AMI: 373 | 90% |

Unit Mix

| |
|------------------------|
| 91 SRO/Studio Units |
| 262 1-Bedroom Units |
| 65 2-Bedroom Units |
| 418 Total Units |

| Unit Type & Number | 2017 Rents Targeted % of Area Median Income | 2017 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|-----------------------------------|--|--|--|
| 9 SRO/Studio | 50% | 50% | \$913 |
| 82 SRO/Studio | 60% | 60% | \$1,096 |
| 27 1 Bedroom | 50% | 50% | \$978 |
| 234 1 Bedroom | 60% | 60% | \$1,174 |
| 6 2 Bedrooms | 50% | 50% | \$1,173 |
| 57 2 Bedrooms | 60% | 60% | \$1,408 |
| 1 1 Bedroom | Manager's Unit | Manager's Unit | \$0 |
| 2 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

* For additional information regarding the on-site manager's unit, please see the "**Significant Information / Additional Conditions**" section of the staff report.

TCAC-confirmed Projected Lifetime Rent Benefit: \$118,932,000

Project Cost Summary at Application

| | |
|----------------------------------|----------------------|
| Land and Acquisition | \$10,320,000 |
| Construction Costs | \$96,312,296 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$5,000,000 |
| Relocation | \$0 |
| Architectural/Engineering | \$940,000 |
| Const. Interest, Perm. Financing | \$11,765,000 |
| Legal Fees, Appraisals | \$100,000 |
| Reserves | \$2,219,232 |
| Other Costs | \$6,293,866 |
| Developer Fee | \$13,500,000 |
| Commercial Costs | \$0 |
| Total | \$146,450,394 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$309 |
| Per Unit Cost: | \$350,360 |
| True Cash Per Unit Cost*: | \$331,580 |

Construction Financing

| Source | Amount |
|------------------------|--------------|
| Citibank | \$85,000,000 |
| Bonneville | \$35,000,000 |
| Deferred Cost | \$2,219,232 |
| Deferred Developer Fee | \$13,500,000 |
| Tax Credit Equity | \$10,731,162 |

Permanent Financing

| Source | Amount |
|------------------------|----------------------|
| Citibank | \$45,000,000 |
| Bonneville | \$35,000,000 |
| City of Santa Ana | \$5,000,000 |
| Deferred Developer Fee | \$7,850,000 |
| Tax Credit Equity | \$53,600,394 |
| TOTAL | \$146,450,394 |

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

Determination of Credit Amount(s)

| | |
|--|----------------------------------|
| Requested Eligible Basis: | \$132,738,440 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$172,559,972 |
| Applicable Rate: | 3.27% |
| Total Maximum Annual Federal Credit: | \$5,642,711 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$13,500,000 |
| Investor/Consultant: | City Real Estate Advisors (CREA) |
| Federal Tax Credit Factor: | \$0.94991 |

Per Regulation Section 10327(c)(6), 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.

Eligible Basis and Basis Limit

| | |
|---------------------------------------|---------------|
| Requested Unadjusted Eligible Basis: | \$132,738,440 |
| Actual Eligible Basis: | \$132,738,440 |
| Unadjusted Threshold Basis Limit: | \$107,625,178 |
| Total Adjusted Threshold Basis Limit: | \$141,010,120 |

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are
Income Targeted between 50% AMI & 36% AMI: 10%

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 3.27% 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.

Significant Information / Additional Conditions:

The on-site manager's unit will be occupied by a qualified low income resident. The on-site manager's unit will be a 2-bedroom unit occupied by a qualified low income resident restricted at 60% AMI.

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.

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.

CDLAC Additional Conditions: None