

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

Garden Brook Senior Village, located at 10080 & 10180 Garden Grove Boulevard in Garden Grove, requested and is being recommended for a reservation of \$5,440,553 in annual federal tax credits to finance the new construction of 391 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 72.

Project Number CA-18-764

Project Name Garden Brook Senior Village
 Site Address: 10080 & 10180 Garden Grove Boulevard
 Garden Grove, CA 92844 County: Orange
 Census Tract: 887.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$5,440,553	\$0
Recommended:	\$5,440,553	\$0

Applicant Information

Applicant: Garden Grove Pacific 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
 FFAH II Garden Grove Senior, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): TPC Holdings V, LLC
 Foundation for Affordable Housing
 Developer: Pacific West Communities, Inc.
 Investor/Consultant: City Real Estate Advisors
 Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 394
 No. / % of Low Income Units: 391 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: June 5, 2018

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 40	10%
At or Below 60% AMI: 351	90%

Unit Mix

129 SRO/Studio Units
 219 1-Bedroom Units
46 2-Bedroom Units
 394 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14 SRO/Studio	50%	50%	\$957
115 SRO/Studio	60%	60%	\$1,149
22 1 Bedroom	50%	50%	\$1,025
195 1 Bedroom	60%	60%	\$1,230
4 2 Bedrooms	50%	50%	\$1,230
40 2 Bedrooms	60%	60%	\$1,476
1 2 Bedrooms*	60%	60%	\$1,476
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

*Low Income Manager's Unit

TCAC-confirmed Projected Lifetime Rent Benefit: \$94,168,140

Project Cost Summary at Application

Land and Acquisition	\$1,800,000
Construction Costs	\$92,403,377
Rehabilitation Costs	\$0
Construction Contingency	\$4,875,000
Relocation	\$0
Architectural/Engineering	\$990,000
Const. Interest, Perm. Financing	\$11,522,900
Legal Fees, Appraisals	\$100,000
Reserves	\$2,004,771
Other Costs	\$6,165,035
Developer Fee	\$13,000,000
Commercial Costs	\$1,321,000
Total	\$134,182,083

Residential

Construction Cost Per Square Foot:	\$265
Per Unit Cost:	\$337,211
True Cash Per Unit Cost*:	\$318,137

Construction Financing

<u>Source</u>	<u>Amount</u>
East West Bank (T.E. Series A)	\$75,000,000
Bonneville (T.E. Bonds Series B)	\$32,000,000
Deferred Developer Fee	\$13,000,000
Deferred Costs	\$2,004,771
Tax Credit Equity	\$12,177,312

Permanent Financing

<u>Source</u>	<u>Amount</u>
East West Bank (T.E. Series A)	\$44,000,000
Bonneville (T.E. Bonds Series B)	\$32,000,000
Deferred Developer Fee	\$7,590,000
Tax Credit Equity	\$50,592,083
TOTAL	\$134,182,083

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$127,982,894
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$166,377,762
Applicable Rate:	3.27%
Maximum Annual Federal Credit:	\$5,440,553
Approved Developer Fee (Project Cost & Eligible Basis):	\$13,000,000
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.92991

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$127,982,894
Actual Eligible Basis:	\$127,982,894
Unadjusted Threshold Basis Limit:	\$99,165,360
Total Adjusted Threshold Basis Limit:	\$129,846,624

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 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 3.27% 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: None.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Garden Grove, has completed a site review of this project and strongly supports this project.

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.