CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Aqua Housing, located at 317 East 17th Street in Santa Ana, requested and is being recommended for a reservation of $1,005,812 in annual federal tax credits to finance the new construction of 56 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Community Development Partners and will be located in Senate District 34 and Assembly District 69.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the IIG of HCD and MHSA through CalHFA.

Project Number CA-18-633

Project Name Aqua Housing
Site Address: 317 E. 17th Street
Santa Ana, CA 92706 County: Orange
Census Tract: 750.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,005,812	$0
Recommended:	$1,005,812	$0

Applicant Information
Applicant: Aqua Housing LP
Contact: Eric Paine
Address: 3416 Via Oporto, Ste. 301
Newport Beach, CA 92663
Phone: (949) 467-1344
Email: epaine@communitydevpartners.com

General Partner(s) or Principal Owner(s): Aqua CDP 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 House Living Centers
Affordable Housing Alliance II, Inc.
dba Integrity Housing
Developer: Community Development Partners
Investor/Consultant: Aegon USA Reality Advisors, LLC
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	57
No. / % of Low Income Units:	56 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (56 units - 100%)

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	March 17, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Orange County
TCAC Project Analyst:	Pavlos Mayakis

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	40	71%
At or Below 60% AMI:	16	29%

Unit Mix

12	SRO/Studio Units
45	1-Bedroom Units
57	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10	SRO/Studio	30%	30%	$574
2	SRO/Studio	60%	60%	$1,149
30	1 Bedroom	30%	30%	$615
14	1 Bedroom	60%	60%	$1,230
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $16,901,280

Project Cost Summary at Application

Land and Acquisition	$3,965,825
Construction Costs	$17,148,024
Rehabilitation Costs	$0
Construction Contingency	$891,096
Relocation	$0
Architectural/Engineering	$581,658
Const. Interest, Perm. Financing	$1,845,756
Legal Fees, Appraisals	$225,000
Reserves	$316,907
Other Costs	$965,016
Developer Fee	$3,086,163
Commercial Costs	$0
Total	**$29,025,445**

Residential

Construction Cost Per Square Foot:	$482
Per Unit Cost:	$509,218
True Cash Per Unit Cost*:	$488,012

Construction Financing

Source	Amount
Citi Community Capital	$17,641,112
CalHFA MHSA	$7,035,800
Deferred Reserves	$316,907
Deferred Developer Fee	$3,086,164
Tax Credit Equity	$945,463

Permanent Financing

Source	Amount
Citi Community Capital	$9,385,233
CalHFA MHSA	$7,035,800
HCD IIG	$1,941,000
Deferred Developer Fee	$1,208,783
Tax Credit Equity	$9,454,629
TOTAL	**$29,025,445**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$23,660,587
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$30,758,763
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	$1,005,812
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,086,163
Investor/Consultant:	Aegon USA Reality Advisors, LLC
Federal Tax Credit Factor:	$0.94000

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:	$23,660,587
Actual Eligible Basis:	$23,660,587
Unadjusted Threshold Basis Limit:	$14,220,834
Total Adjusted Threshold Basis Limit:	$40,419,133

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

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

100% of the Low Income Units for Special Needs Population

Local Development Impact Fees

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 142%

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

Development costs are roughly $509,218 per unit. The factors affecting this cost include housing a Special Needs population, podium parking, and prevailing wage.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Santa Ana, 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.