

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**November 14, 2018**

First Point I, located at 2114 East First Street in Santa Ana, requested and is being recommended for a reservation of \$6,412,513 in annual federal tax credits to finance the new construction of 343 units of housing serving large families 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-18-776

**Project Name** First Point I  
**Site Address:** 2114 East First Street  
Santa Ana, CA 92705 County: Orange  
**Census Tract:** 754.03

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$6,412,513           | \$0                |
| Recommended:              | \$6,412,513           | \$0                |

**Applicant Information**

**Applicant:** Santa Ana 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 VI, LLC  
JHC-First Point I LLC  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** TPC Holdings VI, LLC  
Jamboree Housing Corporation  
**Developer:** Pacific West Communities, Inc.  
**Investor/Consultant:** Boston Capital  
**Management Agent:** Barker Management, Inc.

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 1  
**Total # of Units:** 346  
**No. / % of Low Income Units:** 343 100.00%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** Tax-Exempt

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: June 8, 2018

**Information**

Housing Type: Large Family  
 Geographic Area: Orange County  
 TCAC Project Analyst: Lucy Vang

**55-Year Use / Affordability**

| <u>Aggregate Targeting<br/>Number of Units</u> | <u>Percentage of<br/>Affordable<br/>Units</u> |
|--|---|
| At or Below 50% AMI: 35                        | 10%   |
| At or Below 60% AMI: 308                       | 90%   |

**Unit Mix**

26 1-Bedroom Units  
 160 2-Bedroom Units  
 84 3-Bedroom Units  
76 4-Bedroom Units  
 346 Total Units

| <u>Unit Type<br/>&amp; Number</u> | <u>2018 Rents<br/>Targeted % of<br/>Area Median<br/>Income</u> | <u>2018 Rents Actual<br/>% of Area Median<br/>Income</u> | <u>Proposed Rent<br/>(including<br/>utilities)</u> |
|-----------------------------------|--|--|--|
| 3 1 Bedroom                       | 50%  | 50%  | \$1,025  |
| 23 1 Bedroom                      | 60%  | 60%  | \$1,230  |
| 16 2 Bedrooms                     | 50%  | 50%  | \$1,230  |
| 143 2 Bedrooms                    | 60%  | 60%  | \$1,476  |
| 8 3 Bedrooms                      | 50%  | 50%  | \$1,421  |
| 74 3 Bedrooms                     | 60%  | 60%  | \$1,705  |
| 8 4 Bedrooms                      | 50%  | 50%  | \$1,585  |
| 68 4 Bedrooms                     | 60%  | 60%  | \$1,902  |
| 1 2 Bedrooms                      | Manager's Unit   | Manager's Unit   | \$0  |
| 2 3 Bedrooms                      | Manager's Unit   | Manager's Unit   | \$0  |

TCAC-confirmed Projected Lifetime Rent Benefit: \$165,817,740

**Project Cost Summary at Application**

|                                  |                      |
|----------------------------------|----------------------|
| Land and Acquisition             | \$300,000            |
| Construction Costs               | \$108,790,890        |
| Rehabilitation Costs             | \$0                  |
| Construction Contingency         | \$5,900,000          |
| Relocation                       | \$0                  |
| Architectural/Engineering        | \$990,000            |
| Const. Interest, Perm. Financing | \$12,547,500         |
| Legal Fees, Appraisals           | \$100,000            |
| Reserves                         | \$2,359,286          |
| Other Costs                      | \$10,212,731         |
| Developer Fee                    | \$13,500,000         |
| Commercial Costs                 | \$0                  |
| <b>Total</b>                     | <b>\$154,700,407</b> |

**Residential**

|                                    |           |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$237     |
| Per Unit Cost:                     | \$447,111 |
| True Cash Per Unit Cost*:          | \$422,342 |

**Construction Financing**

| <u>Source</u>             | <u>Amount</u> |
|---------------------------|---------------|
| Citibank, N.A. (Series A) | \$88,000,000  |
| Bonneville (Series B)     | \$35,000,000  |
| Deferred Costs            | \$2,359,286   |
| Deferred Developer Fee    | \$13,500,000  |
| Tax Credit Equity         | \$15,841,121  |

**Permanent Financing**

| <u>Source</u>             | <u>Amount</u>        |
|---------------------------|----------------------|
| Citibank, N.A. (Series A) | \$45,500,000         |
| Bonneville (Series B)     | \$35,000,000         |
| City of Santa Ana         | \$6,000,000          |
| Deferred Developer Fee    | \$8,570,000          |
| Tax Credit Equity         | \$59,630,407         |
| <b>TOTAL</b>              | <b>\$154,700,407</b> |

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

**Determination of Credit Amount(s)**

|  |                |
|--|----------------|
| Requested Eligible Basis:                                  | \$150,847,177  |
| 130% High Cost Adjustment:                                 | Yes            |
| Applicable Fraction:                                       | 100.00%        |
| Qualified Basis:   | \$196,101,330  |
| Applicable Rate:   | 3.27%          |
| Maximum Annual Federal Credit:                             | \$6,412,513    |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$13,500,000   |
| Investor/Consultant:                                       | Boston Capital |
| 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:  | \$150,847,177 |
| Actual Eligible Basis:                | \$150,847,177 |
| Unadjusted Threshold Basis Limit:     | \$123,050,540 |
| Total Adjusted Threshold Basis Limit: | \$162,800,473 |

**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:**

This project is the first phase of a concurrent four percent (4%) application, First Point II (CA-18-777). First Point I and First Point II are being developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). The developer fees for First Point I and First Point II comply with the requirements for simultaneous phases.

**Resyndication and Resyndication Transfer Event:** None.

**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.