

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 14, 2018

First Point II, located at 2110 East First Street in Santa Ana, requested and is being recommended for a reservation of \$4,075,354 in annual federal tax credits to finance the new construction of 204 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-18-777

Project Name First Point II
Site Address: 2110 East First Street
 Santa Ana, CA 92705 County: Orange
Census Tract: 754.03

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,075,354	\$0
Recommended:	\$4,075,354	\$0

Applicant Information

Applicant: Santa Ana Pacific Associates II, 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 II LLC
General Partner Type: Joint Venture
Parent Companies: TPC Holdings VI, LLC
 Jamboree Housing Corporation
Developer: Pacific West Communities, Inc.
Investor: Boston Capital
Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 206
 No. / % of Low Income Units: 204 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Municipal Finance Auth.
 Date of Issuance: June 8, 2018

Information

Housing Type: Large Family
 Geographic Area: Orange County
 TCAC Project Analyst: Mayra Lozano

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 50% AMI: 21	10%
At or Below 60% AMI: 183	90%

Unit Mix

1 1-Bedroom Units
79 2-Bedroom Units
62 3-Bedroom Units
64 4-Bedroom Units
206 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	50%	50%	\$1,025
8 2 Bedrooms	50%	50%	\$1,230
69 2 Bedrooms	60%	60%	\$1,476
6 3 Bedrooms	50%	50%	\$1,421
56 3 Bedrooms	60%	60%	\$1,705
6 4 Bedrooms	50%	50%	\$1,585
58 4 Bedrooms	60%	60%	\$1,902
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$107,951,580

Project Cost Summary at Application

Land and Acquisition	\$200,000
Construction Costs	\$69,116,652
Rehabilitation Costs	\$0
Construction Contingency	\$3,500,000
Relocation	\$0
Architectural/Engineering	\$670,000
Const. Interest, Perm. Financing	\$8,025,000
Legal Fees, Appraisals	\$100,000
Reserves	\$1,381,723
Other Costs	\$7,863,627
Developer Fee	\$9,000,000
Commercial Costs	\$0
Total	\$99,857,002

Residential

Construction Cost Per Square Foot:	\$252
Per Unit Cost:	\$484,743
True Cash Per Unit Cost*:	\$450,956

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank, T.E. Bonds(Series A)	\$55,000,000
Bonneville, T.E. Bonds (Series B)	\$23,000,000
Deferred Developer Fee	\$9,000,000
Deferred Costs	\$2,871,723
Tax Credit Equity	\$9,985,279

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank, T.E. Bonds(Series A)	\$28,000,000
Bonneville, T.E. Bonds (Series B)	\$23,000,000
City of Santa Ana- Inclu. Hsg.	\$4,000,000
Deferred Developer Fee	\$6,960,000
Tax Credit Equity	\$37,897,002
TOTAL	\$99,857,002

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$95,868,126
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$124,628,564
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$4,075,354
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,000,000
Investor:	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

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$95,868,126
Actual Eligible Basis:	\$97,358,126
Unadjusted Threshold Basis Limit:	\$77,540,274
Total Adjusted Threshold Basis Limit:	\$102,427,621

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 and 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 second phase of a concurrent four percent (4%) application, First Point I (CA-18-776). 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, City of Santa Ana, has completed a site review of this project and has no position on 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

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