

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 16, 2019**

Corona Community Villas, located at 2680 S. Main Street in Corona, requested and is being recommended for a reservation of \$743,684 in annual federal tax credits to finance the acquisition and rehabilitation of 74 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and is located in Senate District 31 and Assembly District 60.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-19-418

Project Name Corona Community Villas
Site Address: 2680 S. Main Street
Corona, CA 92882 County: Riverside
Census Tract: 418.08

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$743,684	\$0
Recommended:	\$743,684	\$0

Applicant Information

Applicant: Corona Villas Housing LP
Contact: Anthony Yannatta
Address: 11812 San Vicente Blvd., Suite 600
Los Angeles, CA 90049
Phone: 310-820-4888
Email: anthony@tsahousing.com

General Partner(s) or Principal Owner(s): Housing Corporation of America
Corona Villas Housing LLC
General Partner Type: Nonprofit
Parent Company(ies): Housing Corporation of America
Thomas L. Safran Living Trust
Developer: Thomas Safran & Associates Development, Inc.
Investor/Consultant: Wells Fargo Bank
Management Agent: Thomas Safran & Associates, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 75
No. / % of Low Income Units: 74 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (74 units / 100%)

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: March 31, 2019

Information

Housing Type: Seniors
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 50% AMI: 15	20%
At or Below 60% AMI: 59	80%

Unit Mix

18 SRO/Studio Units
56 1-Bedroom Units
<u>1 2-Bedroom Units</u>
75 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>
4 SRO/Studio	50%	50%	\$590
14 SRO/Studio	60%	60%	\$708
11 1 Bedroom	50%	50%	\$632
45 1 Bedroom	60%	60%	\$759
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$24,836,830

Project Cost Summary at Application

Land and Acquisition	\$15,525,000
Construction Costs	\$0
Rehabilitation Costs	\$2,871,000
Construction Contingency	\$401,330
Relocation	\$11,250
Architectural/Engineering	\$235,000
Const. Interest, Perm. Financing	\$1,250,490
Legal Fees, Appraisals	\$147,250
Reserves	\$290,514
Other Costs	\$325,090
Developer Fee	\$2,744,258
Commercial Costs	<u>\$0</u>
Total	\$23,801,181

Residential

Construction Cost Per Square Foot:	\$55
Per Unit Cost:	\$317,349
True Cash Per Unit Cost*:	\$295,308

Construction Financing

Source	Amount
Citibank N.A. - T.E. Bonds	\$19,932,177
Operating Income	\$884,380
Deferred Developer Fee	\$1,653,047
Tax Credit Equity	\$1,331,577

Permanent Financing

Source	Amount
Citibank N.A. - T.E. Bonds	\$14,005,900
Operating Income	\$884,380
Deferred Developer Fee	\$1,653,047
Tax Credit Equity	\$7,257,854
TOTAL	\$23,801,181

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,199,913
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,985,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,759,887
Qualified Basis (Acquisition):	\$15,985,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$221,048
Maximum Annual Federal Credit, Acquisition:	\$522,636
Total Maximum Annual Federal Credit:	\$743,684
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,744,258
Investor/Consultant:	Wells Fargo Bank
Federal Tax Credit Factor:	\$0.97593

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:	\$21,184,913
Actual Eligible Basis:	\$21,184,913
Unadjusted Threshold Basis Limit:	\$18,689,284
Total Adjusted Threshold Basis Limit:	\$24,296,069

Adjustments to Basis Limit

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: 20%

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: None

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