CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 20, 2019

Cornerstone Apartments, located at 805-904 S. Minnie Street in Santa Ana, requested and is being recommended for a reservation of $1,107,815 in annual federal tax credits to finance the acquisition and rehabilitation of 126 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Jamboree Housing Corporation and is located in Senate District 34 and Assembly District 69.

Cornerstone Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Wakeham Grant Apartments (CA-2001-864). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number	CA-19-436	
Project Name	Cornerstone Apartments	
Site Address:	805-904 S. Minnie Street	
	Santa Ana, CA 92701	County: Orange
Census Tract:	745.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,107,815	$0
Recommended:	$1,107,815	$0

Applicant Information

Applicant:	Cornerstone Housing Partners, LP
Contact:	Marcy Finamore
Address:	17701 Cowan Ave., Suite 200 Irvine, CA 92614
Phone:	(949) 214-2304
Email:	mfinamore@jamboreehousing.com

General Partner(s) or Principal Owner(s):	JHC-Cornerstone II LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Jamboree Housing Corporation
Developer:	Jamboree Housing Corporation
Investor/Consultant:	Alliant Capital
Management Agent:	The John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	126
No. / % of Low Income Units:	126 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / CHDO-HOME

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	July 10, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	Orange County
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	125	99%
60% AMI:	1	1%

Unit Mix

120	1-Bedroom Units
6	2-Bedroom Units
126	Total Units

	Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
	120	1 Bedroom	50%	50%	$1,025
	5	2 Bedrooms	50%	50%	$1,230
*	1	2 Bedrooms	60%	0%	$0

* Manager's unit that will have a qualified low-income housing tax credit tenant as the on-site manager.

Project Cost Summary at Application	
Land and Acquisition	$17,500,000
Construction Costs	$0
Rehabilitation Costs	$7,488,602
Construction Hard Cost Contingency	$748,860
Soft Cost Contingency	$184,051
Relocation	$150,000
Architectural/Engineering	$1,325,000
Const. Interest, Perm. Financing	$1,486,616
Legal Fees	$200,000
Reserves	$342,808
Other Costs	$499,954
Developer Fee	$3,880,551
Commercial Costs	$0
Total	**$33,806,442**

Residential	
Construction Cost Per Square Foot:	$95
Per Unit Cost:	$268,305
True Cash Per Unit Cost*:	$227,199

Construction Financing

Source	Amount
Union Bank	$17,250,000
Seller Note	$3,020,559
City of Santa Ana - Resubordinated	$8,632,441
City of Santa Ana-CHDO HOME	$96,532
Seller Credit	$630,000
Existing Replacement Reserves	$235,861
Deferred Developer Fee	$2,362,570
Tax Credit Equity	$1,578,479

Permanent Financing

Source	Amount
Union Bank	$8,509,000
Seller Note	$3,020,559
City of Santa Ana - Resubordinate	$8,632,441
City of Santa Ana-CHDO HOME	$96,532
Seller Credit	$630,000
Replacement Reserves	$235,861
Deferred Developer Fee	$2,158,857
Tax Credit Equity	$10,523,192
TOTAL	**$33,806,442**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,730,891
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$17,020,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$16,550,158
Qualified Basis (Acquisition):	$17,020,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$546,155
Maximum Annual Federal Credit, Acquisition:	$561,660
Total Maximum Annual Federal Credit:	$1,107,815
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,880,551
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	$0.94991

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:	$29,750,891
Actual Eligible Basis:	$29,750,891
Unadjusted Threshold Basis Limit:	$34,850,640
Total Adjusted Threshold Basis Limit:	$69,812,774

Adjustments to Basis Limit

Seismic Upgrading

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 99%

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 3.30% 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
The manager's unit will be a qualified low-income housing unit occupied by a qualified low-income tenant as the on-site manager.

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) to 5% due to excessive expensiveness / undue financial burden. Seven units (5.6%) shall fully meet the mobility requirements of Chapter 11(B). These units may be grouped into Buildings 805, 815, 825, and 835 in order to minimize associated path of travel improvements. The project must continue to provide at least 4% of units with communications features that meet the requirements of Chapter 11(B).

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-864). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-864) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff’s review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The Transfer Event requires either a seller credit or a general partner equity contribution in the amount of $630.000. The rehabilitation scope of work shall include Short Term Work in the amount of $630,000. In consideration of the Short Term Work requirement, the seller will give a credit in the amount of at least $630,000. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

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
The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year off-site within 1/2 mile

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).