

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 20, 2019

Magnet Senior Housing, located at the corner of Magnet and Hamal in Irvine, requested and is being recommended for a reservation of \$1,956,862 in annual federal tax credits to finance the new construction of 163 units of housing serving seniors with rents affordable to households earning 50%-60% AMI of area median income (AMI). The project will be developed by Related Development Company of California, LLC and will be located in Senate District 37 and Assembly District 68.

Project Number CA-19-440

Project Name Magnet Senior Housing
Site Address: Corner of Magnet and Hamal
Irvine, CA 92618 County: Orange
Census Tract: 524.04

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,956,862	\$0
Recommended:	\$1,956,862	\$0

Applicant Information

Applicant: Magnet Senior Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272
Email: fcardone@related.com

General Partner(s) or Principal Owner(s): Related/Magnet Senior Development Co., LLC
Riverside Charitable Corporation

General Partner Type: Joint Venture

Parent Company(ies): Related Development Company of California, LLC
Riverside Charitable Corporation

Developer: Related Development Company of California, LLC

Investor/Consultant: U.S. Bancorp Community Development Corporation

Management Agent: Related Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 165
 No. / % of Low Income Units: 163 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: June 28, 2019

Information

Housing Type: Seniors
 Geographic Area: Orange County
 TCAC Project Analyst: Pavlos Mayakis

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
50% AMI: 117	72%
60% AMI: 46	28%

Unit Mix

22 SRO/Studio Units
 111 1-Bedroom Units
32 2-Bedroom Units
 165 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
22 SRO/Studio	50%	42%	\$811
73 1 Bedroom	50%	45%	\$926
38 1 Bedroom	60%	60%	\$1,230
22 2 Bedrooms	50%	42%	\$1,043
8 2 Bedrooms	60%	60%	\$1,476
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$76,000
Construction Costs	\$31,144,324
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,560,516
Soft Cost Contingency	\$199,294
Relocation	\$0
Architectural/Engineering	\$2,364,000
Const. Interest, Perm. Financing	\$2,714,000
Legal Fees	\$300,000
Reserves	\$420,389
Other Costs	\$5,459,082
Developer Fee	\$4,300,000
Commercial Costs	\$0
Total	\$48,537,605

Residential

Construction Cost Per Square Foot:	\$181
Per Unit Cost:	\$294,167
True Cash Per Unit Cost*:	\$283,258

Construction Financing

Source	Amount
MUFG Union Bank	\$30,746,187
Master Developer Loan	\$13,866,509
Deferred Operating Deficit Reserve	\$420,390
Deferred Costs	\$67,000
Deferred Developer Fee	\$3,050,000
General Partner Equity	\$100
Tax Credit Equity	\$387,420

Permanent Financing

Source	Amount
MUFG Union Bank	\$13,500,000
Master Developer Loan	\$13,866,509
Deferred Developer Fee	\$1,800,000
General Partner Equity	\$100
Tax Credit Equity	\$19,370,996
TOTAL	\$48,537,605

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$45,614,498
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$59,298,848
Applicable Rate:	3.30%
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,300,000
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$0.98990

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:	\$45,614,498
Actual Eligible Basis:	\$45,614,498
Unadjusted Threshold Basis Limit:	\$46,202,198
Total Adjusted Threshold Basis Limit:	\$85,919,432

Adjustments to Basis Limit

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: 71%

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 3.30% 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: None

Resyndication and Resyndication Transfer Event: None

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

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