

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009

Project Number CA-2009-855

Project Name Emerald Cove Senior Apartments
Address: 18191 Parktree Circle
Huntington Beach, CA 92648 County: Orange

Applicant Information

Applicant: Jamboree Housing Corporation
Contact Laura Archuleta
Address: 17701 Cowan Avenue, Suite 200
Irvine, CA 92614
Phone: (949) 263-8676 **Fax:** (949) 263-0647
Email: Larchuleta@jamboreehousing.com
Sponsors Type: Nonprofit

Information

Housing Type: Seniors

Bond Information

Issuer: County of Orange
Expected Date of Issuance: December 23, 2009
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$467,893	\$0
Recommended:	\$467,893	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 164
Total # Residential Buildings: 9
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% – 162 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis

Actual: \$12,174,581
Requested: \$12,174,581
Maximum Permitted: \$60,088,862

Adjustments to Threshold Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 39%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 61%

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 Studio Units	30%	\$488
14 Studio Units	47%	\$753
8 Studio Units	55%	\$895
40 One-bedroom Units	30%	\$523
50 One-bedroom Units	50%	\$861
40 One-bedroom Units	55%	\$959
1 Two-bedroom Unit	Manager's Unit	\$1,822

The general partner or principal owner is Jamboree Housing Corporation.

The project developer is Jamboree Housing Corporation.

The management services will be provided by The John Stewart Company.

The market analysis was provided by Newport Realty Advisors.

The Local Reviewing Agency, the city of Huntington Beach, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$14,908,822 Per Unit Cost: \$90,907 Construction Cost Per Sq. Foot: \$34

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
U.S. Bank	\$7,775,000	U.S. Bank	\$3,067,612
City of Huntington Beach	\$6,332,245	City of Huntington Beach	\$8,000,000
Deferred Costs & Fees	\$265,171	Deferred Developer Fee	\$332,012
Investor Equity	\$536,406	Investor Equity	\$3,509,198
		TOTAL	\$14,908,822

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$5,974,581
Requested Acquisition Eligible Basis:	\$6,200,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$7,766,955
Qualified Acquisition Basis:	\$6,200,000
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$260,193
Maximum Annual Federal Acquisition Credit:	\$207,700
Total Maximum Annual Federal Credit:	\$467,893
Approved Developer Fee (in Project Cost & Eligible Basis):	\$775,000
Investor:	Union Bank
Federal Tax Credit Factor:	\$0.75000

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 limitation. 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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: This project is currently operated as a low-income project by the city of Huntington Beach Redevelopment Agency. 12 of the Studio unit tenants and 64 of the one-bedroom unit tenants will be grandfathered in at their current rents that are below the tax-credit proposed rent/income limits. These units will be rented at the TCAC rent/income limits upon unit turnover.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$467,893	\$0

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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

Additional Conditions: The applicant/owner is required to provide the tenants with educational classes and contracts for services, on-site or within ¼ mile of the project, free of charge for a minimum of ten (10) 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.

Project Analyst: Jack Waegell