

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
November 14, 2012**

**Project Number** CA-12-894

**Project Name** Villa Anaheim  
Site Address: 3301 - 3309 W. Lincoln Avenue  
Anaheim, CA 92801 County: Orange  
Census Tract: 1102.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$727,539	\$0
Recommended:	\$727,539	\$0

**Applicant Information**

Applicant: Bongate, LLC  
Contact: Graham Espley-Jones  
Address: 2665 Bayshore Drive  
Newport Beach, CA 92665  
Phone: 949-650-4789 Fax: 949-650-4789  
Email: graham@bongate.com

General partner(s) or principal owner(s): Affordable Housing Alliance II, Inc.  
Bongate, LLC  
General Partner Type: Joint Venture  
Developer: BVH Development, LLC  
Investor/Consultant: RBC Capital Markets  
Management Agent: Western Seniors Housing, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 4  
Total # of Units: 135  
No. & % of Tax Credit Units: 134 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 47  
Number of Units @ or below 60% of area median income: 87

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: December 12, 2012  
 Credit Enhancement: HUD/FHA Risk Share

**Information**

Housing Type: Seniors  
 Geographic Area: Orange County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

130 1-Bedroom Units  
 5 2-Bedroom Units  


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 135 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 1 Bedroom	50%	47%	\$854
1 2 Bedrooms	50%	44%	\$954
1 2 Bedrooms	50%	50%	\$1,083
19 1 Bedroom	50%	50%	\$903
85 1 Bedroom	60%	60%	\$1,084
2 2 Bedrooms	60%	60%	\$1,290
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$22,754,678  
 Estimated Residential Project Cost: \$22,754,678

**Residential**

Construction Cost Per Square Foot: \$51  
 Per Unit Cost: \$168,553

**Construction Financing**

<u>Source</u>	<u>Amount</u>
CalHFA NIBP Bond Loan	\$11,500,000
Century Housing Corp. - Assumed Loan	\$4,755,000
Seller Note	\$1,000,267
Capitalized Reserves	\$700,000
Income from Operations	\$110,000
Tax Credit Equity	\$4,689,411

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
CalHFA NIBP Bond Loan	\$8,500,000
Century Housing Corp.-Assumed Loan	\$4,755,000
Seller Note	\$1,000,267
Capitalized Reserves	\$700,000
Income from Operations	\$110,000
Deferred Developer Fee	\$414,021
Tax Credit Equity	\$7,275,390
<b>TOTAL</b>	<b>\$22,754,678</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$7,212,602
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,359,226
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,376,383
Qualified Basis (Acquisition):	\$13,359,226
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$300,044
Maximum Annual Federal Credit, Acquisition:	\$427,495
Total Maximum Annual Federal Credit:	\$727,539
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$20,571,828
Actual Eligible Basis:	\$20,571,828
Unadjusted Threshold Basis Limit:	\$25,080,100
Total Adjusted Threshold Basis Limit:	\$33,858,135

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 35%

**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 3.20% 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.

**Special Issues/Other Significant Information:** This project is the re-syndication of an existing tax credit project, CA-92-906.

The applicant's estimate of the contractor profit, overhead and general requirement costs and eligible basis exceeds the 14% limitation of regulation section 10327(c)(1). The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limit will not be allowed.

**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.

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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$727,539</b>	<b>\$0</b>

**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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with the following service amenities 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:

- Instructor-led educational classes, health and wellness classes, or skill-building classes, provided on site.
- A full-time equivalent, bona fide service coordinator/social worker provided on site.

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:

- This project will be rehabilitated to improve energy efficiency to reduce energy use by at least 20% from the modeled energy consumption of the building(s) based on existing conditions, and on the building(s) percentage decrease in the estimated annual energy use (or improvement in energy efficiency) in the building's Home Energy Rating System II (HERS II) rating post-rehabilitation.
- The Project will implement the following sustainable building management practices:
  - \* Develop a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features
  - \* Certify building management staff in sustainable building operations per Building Performance Institute Multifamily Building Operator or equivalent training program
  - \* Undertake formal building systems commissioning, retro-commissioning, or re-commissioning as appropriate (continuous commissioning is not required)