CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 23, 2013

Project Number	CA-13-800

Project Name	Tower on Nineteenth AKA Bethel Towers	
Site Address:	678 W. 19th Street	
	Costa Mesa, CA 92627	County:Orange
Census Tract:	637.010	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,758,290	$0
Recommended:	$1,758,290	$0

Applicant Information

Applicant:	Reiner Communities	
Contact:	Sean Burrowes	
Address:	8105 Irvine Center Drive, Suite 830	
	Irvine, CA 92618	
Phone:	949-753-0555	Fax: 949-753-7590
Email:	sburrowes@reinercommunities.com	

General partner(s) or principal owner(s):	AHCDC 8 LLC
General Partner Type:	Nonprofit
Developer:	Reiner Communities
Investor/Consultant:	Union Bank
Management Agent:	The John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	269
No. & % of Tax Credit Units:	266 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax Exempt/HUD 221d4 Loan/HUD Section 8 project based vouchers (266 units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	56
Number of Units @ or below 60% of area median income:	210

Bond Information

Issuer:	CSCDA
Date of Issuance:	December 12, 2012
Credit Enhancement:	FHA

Information

Housing Type:	Senior
Geographic Area:	Orange County
TCAC Project Analyst:	Marisol Parks

Unit Mix

185	SRO/Studio Units
67	1-Bedroom Units
16	2-Bedroom Units
1	3-Bedroom Units
269	Total Units

Unit Type & Number		2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
31	SRO/Studio	50%	49%	$825
7	SRO/Studio	50%	49%	$825
7	1 Bedroom	50%	47%	$850
7	1 Bedroom	50%	47%	$850
4	2 Bedrooms	50%	50%	$1,083
122	SRO/Studio	60%	49%	$825
25	SRO/Studio	60%	49%	$825
26	1 Bedroom	60%	47%	$850
26	1 Bedroom	60%	47%	$850
11	2 Bedrooms	60%	51%	$1,100
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Financing		**Residential**	
Estimated Total Project Cost:	$53,854,905	Construction Cost Per Square Foot:	$123
Estimated Residential Project Cost:	$53,854,905	Per Unit Cost:	$200,204

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
Tax-Exempt Bonds - CSCDA	$27,000,000	Taxable Loan (FHA 221(d)(4))	$35,650,000
Taxable Loan (HUD 221d4)	$8,650,000	Deferred Developer Fee	$6,602
Deferred Developer Fee	$6,602	Tax Credit Equity	$18,198,303
Tax Credit Equity	$15,468,558	**TOTAL**	**$53,854,905**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$22,082,428
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$26,244,938
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$28,707,156
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	$26,244,938
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$918,452
Maximum Annual Federal Credit, Acquisition:	$839,838
Total Maximum Annual Federal Credit:	$1,758,290
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	$1.03500

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:	$48,327,366
Actual Eligible Basis:	$48,327,366
Unadjusted Threshold Basis Limit:	$45,778,472
Total Adjusted Threshold Basis Limit:	$55,391,951

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: 21%

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 3.20% 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: The property is currently mastered metered and will remain that way post-rehabilitation. Owner will pay for all utilities including gas, electricity, water, sewer and trash collection.

Local Reviewing Agency:
The Local Reviewing Agency, the City of Costa Mesa, has completed a site review of this project and strongly supports this project.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
$1,758,290	**$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 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: None