CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Bouquet Canyon Senior Apartments, located at 26705 Bouquet Canyon Road in Santa Clarita, CA, requested and is being recommended for a reservation of $1,526,764 in annual federal tax credits to finance the acquisition and rehabilitation of 263 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Vintage Housing Development, Inc. and will be located in Senate District 21 and Assembly District 38.

Bouquet Canyon Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Bouquet Canyon Senior Living (CA-98-966).

Project Number CA-15-914

Project Name Bouquet Canyon Senior Apartments
Site Address: 26705 Bouquet Canyon Road
Santa Clarita, CA 91350 County: Los Angeles
Census Tract: 9201.120

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,526,674	$0
Recommended:	$1,526,674	$0

Applicant Information
Applicant: Vintage Housing Holdings, LLC
Contact: Michael Gancar
Address: 369 San Miguel Drive, Suite 135
Newport Beach, CA 92660
Phone: (949) 721-6775 Fax: (949) 721-6776
Email: mgancar@vintagehousing.com

General Partner(s) or Principal Owner(s): Vintage Housing Holdings, LLC
Hearthstone Housing Foundation
General Partner Type: Joint Venture
Parent Company(ies): Vintage Housing Holdings, LLC
Hearthstone Housing Foundation
Developer: Vintage Housing Development, Inc.
Investor/Consultant: Aegon USA Realty Advisors, LLC
Management Agent: FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	264
No. & % of Tax Credit Units:	263 100.00%
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:	27
Number of Units @ or below 60% of area median income:	234

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	December 31, 2015
Credit Enhancement:	N/A

Information

Housing Type:	Seniors
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Jack Waegell

Unit Mix

183	1-Bedroom Units
81	2-Bedroom Units
264	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
19	1 Bedroom	50%	50%	$778
162	1 Bedroom	60%	60%	$933
8	2 Bedrooms	50%	50%	$933
72	2 Bedrooms	60%	60%	$1,120
2	1 Bedroom*	50%	50%	$756
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

*Two (2) manager's units will be occupied by a qualified low-income tenants restricted at 50% AMI.

Project Cost Summary at Application

Land and Acquisition	$36,000,000
Construction Costs	$0
Rehabilitation Costs	$5,937,500
Construction Contingency	$289,375
Relocation	$227,500
Architectural/Engineering	$350,000
Construction Interest, Perm Financing	$1,517,813
Legal Fees, Appraisals	$186,500
Reserves	$645,321
Other Costs	$767,277
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$48,421,286**

Project Financing

Estimated Total Project Cost:	$48,421,286
Estimated Residential Project Cost:	$48,421,286

Residential

Construction Cost Per Square Foot:	$28
Per Unit Cost:	$183,414

Construction Financing

Source	Amount
Citibank - Tax Exempt Bonds	$36,800,000
Income During Construction	$2,186,077
Deferred Reserves	$645,321
Deferred Developer Fee	$2,500,000
Tax Credit Equity	$6,289,888

Permanent Financing

Source	Amount
Citibank - Tax Exempt Bonds	$28,202,224
Income During Construction	$2,186,077
Deferred Developer Fee	$2,155,574
Tax Credit Equity	$15,877,411
TOTAL	**$48,421,286**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,932,963
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$34,650,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$11,612,852
Qualified Basis (Acquisition):	$34,650,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$383,224
Maximum Annual Federal Credit, Acquisition:	$1,143,450
Total Maximum Annual Federal Credit:	$1,526,674
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	$1.04000

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:	$43,582,963
Actual Eligible Basis:	$43,582,963
Unadjusted Threshold Basis Limit:	$65,344,089
Total Adjusted Threshold Basis Limit:	$71,878,498

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: 10%

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 are 15% below the minimum operating expenses established in the Regulations as allowed under 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.

Special Issues/Other Significant Information
This project has a total of three (3) manager's units as required by TCAC Regulation Section 10325(f)(7)(J). Two of the three manager's units (one-bedroom) will be occupied by qualified low-income tenants restricted at 50% AMI.

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $4,400. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $3,740 on agreement of the permanent lender and equity investor.

Local Reviewing Agency:
The Local Reviewing Agency, the City of Santa Clarita, 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
$1,526,674	**$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: 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 or skill-building classes on-site for a minimum of 84 hours per year.
- Wellness services and programs providing individualized support for tenants on-site for a minimum of 100 hours per year.

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 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 (HERSII) post rehabilitation.