CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016
REVISED

Guest House, located at 2151 E. First Street in Santa Ana, requested and is being recommended for a reservation of $619,616 in annual federal tax credits to finance the acquisition and rehabilitation of 71 units of housing serving special needs tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Development Partners and is located in Senate District 34 and Assembly District 69.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-16-910

Project Name Guest House
Site Address: 2151 E. First Street
Santa Ana, CA 92705 County: Orange
Census Tract: 749.010

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$619,616	$0
Recommended:	$619,616	$0

Applicant Information
Applicant: Guest House LP
Contact: Kyle Paine
Address: 3416 Via Oporto, Suite 301
Newport Beach, CA 92663
Phone: 949-922-3578 Fax: 949-419-0952
Email: kpaine@communitydevpartners.com

General Partner(s) or Principal Owner(s): Affordable Housing Alliance II (dba Integrity Housing
CDP Guest House LLC
General Partner Type: Joint Venture
Parent Company(ies): Affordable Housing Alliance II (dba Integrity Housing
Community Development Partners
Developer: Community Development Partners
Investor/Consultant: National Equity Fund, Inc.
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	72
No. & % of Tax Credit Units:	71 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (71 units - 100%) / HOME
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	29
Number of Units @ or below 60% of area median income:	42

Bond Information

Issuer:	California Public Finance Authority
Expected Date of Issuance:	November 15, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Special Needs
Geographic Area:	Orange County
TCAC Project Analyst:	Connie Harina

Unit Mix

58	SRO/Studio Units
14	1-Bedroom Units
72	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
24	SRO/Studio	50%	50%	$853
33	SRO/Studio	60%	52%	$890
5	1 Bedroom	50%	50%	$914
9	1 Bedroom	60%	53%	$960
1	SRO/Studio	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$6,750,000
Construction Costs	$0
Rehabilitation Costs	$5,663,050
Construction Contingency	$566,305
Relocation	$360,000
Architectural/Engineering	$487,267
Construction Interest, Perm Financing	$520,096
Legal Fees, Appraisals	$190,000
Reserves	$594,095
Other Costs	$792,004
Developer Fee	$2,122,988
Commercial Costs	$0
Total	**$18,045,805**

Project Financing

Estimated Total Project Cost:	$18,045,805
Estimated Residential Project Cost:	$18,045,805
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$157
Per Unit Cost:	$250,636
True Cash Per Unit Cost*:	$236,305

Construction Financing

Source	Amount
CITI Community Capital	$14,051,648
City of Santa Ana - HOME	$1,199,869
Deferred Developer Fee	$1,468,308
Tax Credit Equity	$1,325,980

Permanent Financing

Source	Amount
CITI Community Capital - Tranche A	$4,005,205
CITI Community Capital - Tranche B	$5,178,978
City of Santa Ana - HOME	$1,199,869
Deferred Developer Fee	$1,031,855
Tax Credit Equity	$6,629,898
TOTAL	**$18,045,805**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,452,150
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,973,600
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,287,795
Qualified Basis (Acquisition):	$6,973,600
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$392,974
Maximum Annual Federal Credit, Acquisition:	$226,642
Total Maximum Annual Federal Credit:	$619,616
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,122,988
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	$1.07000

Per Regulation Section 10322(h)(9)(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:	$16,425,750
Actual Eligible Basis:	$16,425,750
Unadjusted Threshold Basis Limit:	$11,599,792
Total Adjusted Threshold Basis Limit:	$19,194,493

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at leaset state or federal prevailing wages

100% of Units for Special Needs Population

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 40%

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 3.25% 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 proposed rent does not include a utility allowance. The owner will pay for all utilities.

Local Reviewing Agency

The Local Reviewing Agency, the City of Santa Ana, 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**
$619,616	**$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 fifteen (15) 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

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year 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:

- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.