

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 17, 2016

Courtyard Family Apartments, located at 4127 West Valencia Drive in Fullerton, requested and is being recommended for a reservation of \$715,887 in annual federal tax credits to finance the acquisition and rehabilitation of 106 units of housing serving large families with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners, LLC and is located in Senate District 29 and Assembly District 65.

Courtyard Family Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Courtyard Apartments (CA-94-047). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-921

Project Name Courtyard Family Apartments
Site Address: 4127 West Valencia Drive
 Fullerton, CA 92833 County: Orange
Census Tract: 18.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$715,887	\$0
Recommended:	\$715,887	\$0

Applicant Information

Applicant: Courtyard Fullerton AR, L.P.
Contact: Thomas Erickson
Address: 330 W. Victoria Street
 Gardena, CA 90248
Phone: 424-258-2918 **Fax:** 424-258-2919
Email: thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s): FFAH V Courtyard, LLC
 HCHP Affordable Multi-Family, LLC

General Partner Type: Joint Venture

Parent Company(ies): Foundation for Affordable Housing V, Inc.

Developer: Highridge Costa Housing Partners, LLC

Investor/Consultant: Victoria Capital, LLC

Management Agent: Western National Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 108
No. & % of Tax Credit Units: 106 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 15
Number of Units @ or below 50% of area median income: 35
Number of Units @ or below 60% of area median income: 56

Bond Information

Issuer: Golden State Finance Authority
Expected Date of Issuance: September 21, 2016
Credit Enhancement: N/A

Information

Housing Type: Large Family
Geographic Area: Orange County
TCAC Project Analyst: DC Navarrette

Unit Mix

60 2-Bedroom Units
44 3-Bedroom Units
4 4-Bedroom Units
108 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 2 Bedrooms	35%	32%	\$694
1 2 Bedrooms	35%	32%	\$694
2 2 Bedrooms	35%	32%	\$694
5 3 Bedrooms	35%	32%	\$806
1 3 Bedrooms	35%	32%	\$806
1 3 Bedrooms	35%	32%	\$806
14 2 Bedrooms	45%	41%	\$890
2 2 Bedrooms	45%	41%	\$890
1 2 Bedrooms	45%	41%	\$890
12 3 Bedrooms	45%	41%	\$1,032
5 3 Bedrooms	45%	41%	\$1,032
1 3 Bedrooms	45%	41%	\$1,032
24 2 Bedrooms	60%	60%	\$1,317
1 2 Bedrooms	60%	60%	\$1,317
8 2 Bedrooms	60%	60%	\$1,317
2 2 Bedrooms	60%	60%	\$1,317
6 3 Bedrooms	60%	60%	\$1,521
5 3 Bedrooms	60%	60%	\$1,521
7 3 Bedrooms	60%	60%	\$1,521
3 4 Bedrooms	60%	60%	\$1,696
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,521
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$1,696

Project Cost Summary at Application

Land and Acquisition	\$18,300,000
Construction Costs	\$0
Rehabilitation Costs	\$2,388,300
Construction Contingency	\$121,035
Relocation	\$0
Architectural/Engineering	\$53,800
Const. Interest, Perm. Financing	\$1,093,314
Legal Fees, Appraisals	\$124,500
Reserves	\$306,304
Other Costs	\$89,514
Developer Fee	\$2,749,626
Commercial Costs	\$0
Total	\$25,226,394

Project Financing

Estimated Total Project Cost:	\$25,226,394
Estimated Residential Project Cost:	\$25,226,394
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$23
Per Unit Cost:	\$233,578
True Cash Per Unit Cost*:	\$174,255

Construction Financing

Source	Amount
America First T.E. Investors, L.P.	\$16,458,000
Seller Carryback Note	\$3,757,186
Seller Equity	\$1,254,490
Income During Rehabilitation	\$383,467
Deferred Costs	\$3,015,930
Tax Credit Equity	\$357,321

Permanent Financing

Source	Amount
America First T.E. Investors, L.P.	\$10,527,459
Seller Carryback Note	\$3,757,186
Seller Equity	\$1,254,490
Income During Rehabilitation	\$383,467
Deferred Developer Fee	\$2,649,626
Tax Credit Equity	\$6,654,166
TOTAL	\$25,226,394

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,163,467
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,917,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,112,507
Qualified Basis (Acquisition):	\$17,917,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$133,584
Maximum Annual Federal Credit, Acquisition:	\$582,303
Total Maximum Annual Federal Credit:	\$715,887
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,749,626
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	\$0.92950

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:	\$21,080,467
Actual Eligible Basis:	\$21,080,467
Unadjusted Threshold Basis Limit:	\$26,552,424
Total Adjusted Threshold Basis Limit:	\$42,749,403

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: 33%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 28%

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 applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% (6 units) due to excessive expensiveness. The project shall provide 5% of the units (6 units) meeting the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use, except for the requirements to switch the locations of the toilet and sink in each unit's bathroom, to rotate the position of the bathtub and its drain 180 degrees from its current location in each unit's bathroom, and to widen the hallway from 36 inches to 42 inches in each unit.

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/1996 through 12/31/2010. The existing regulatory agreement expires 12/31/2050. The existing regulatory agreement income targeting is 53 units at or below 50% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of \$1,154,861. In lieu of a Short Term Work Capitalized Reserve, there is a seller equity contribution of \$1,254,490 allowing the applicant to use Short Term Work Reserve Amount to fund rehabilitation expenses and to receive eligible basis for that amount.

Local Reviewing Agency

The Local Reviewing Agency, the City of Fullerton, 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
\$715,887	\$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.