CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Heritage Villas, located at 26836 Oso Parkway in Mission Viejo, requested and is being recommended for a reservation of $1,128,936 in annual federal tax credits to finance the acquisition and rehabilitation of 141 units of housing serving seniors with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by Jamboree Housing Corporation and is located in Senate District 36 and Assembly District 73.

Heritage Villas is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Heritage Villas Senior Housing (CA-00-912). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number	CA-16-943	
Project Name	Heritage Villas	
Site Address:	26836 Oso Parkway	
	Mission Viejo, CA 92691	County: Orange
Census Tract:	320.130	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,128,936	$0
Recommended:	$1,128,936	$0

Applicant Information

Applicant:	Heritage Villas Housing Partners LP	
Contact:	Tish Kelly	
Address:	17701 Cowan Avenue, Suite 200	
	Irvine, CA 92614	
Phone:	949-214-2360	Fax: 949-263-0647
Email:	tkelly@jamboreehousing.com	

General Partner(s) or Principal Owner(s):	JHC-Heritage Villas, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Jamboree Housing Corporation
Developer:	Jamboree Housing Corporation
Investor/Consultant:	WNC & Associates, Inc.
Management Agent:	John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	5	
Total # of Units:	143	
No. & % of Tax Credit Units:	141	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 50% of area median income: 57
Number of Units @ or below 60% of area median income: 84

Bond Information

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

Information

Housing Type:	Seniors
Geographic Area:	Orange County
TCAC Project Analyst:	Zhuo Chen

Unit Mix

128	1-Bedroom Units
15	2-Bedroom Units
143	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12	1 Bedroom	40%	40%	$731
39	1 Bedroom	50%	50%	$914
76	1 Bedroom	60%	60%	$1,097
3	2 Bedrooms	40%	40%	$878
3	2 Bedrooms	50%	50%	$1,097
8	2 Bedrooms	60%	60%	$1,317
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$23,000,000
Construction Costs	$0
Rehabilitation Costs	$6,500,000
Construction Contingency	$650,000
Relocation	$400,000
Architectural/Engineering	$400,000
Const. Interest, Perm. Financing	$1,383,143
Legal Fees, Appraisals	$242,001
Reserves	$416,050
Other Costs	$1,046,104
Developer Fee	$4,240,649
Commercial Costs	$0
Total	**$38,277,947**

Project Financing

Estimated Total Project Cost:	$38,277,947
Estimated Residential Project Cost:	$38,277,947
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$69
Per Unit Cost:	$267,678
True Cash Per Unit Cost*:	$171,970

Construction Financing

Source	Amount
US Bancorp	$19,000,000
Seller Credit	$19,295
Seller Carryback Note	$11,480,705
Deferred Developer Fee	$2,392,898
Tax Credit Equity	$5,385,049

Permanent Financing

Source	Amount
CCRC	$12,625,000
Seller Credit	$19,295
Seller Carryback Note	$11,480,705
Deferred Developer Fee	$2,186,171
Tax Credit Equity	$11,966,776
TOTAL	**$38,277,947**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,271,145
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$21,190,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,652,489
Qualified Basis (Acquisition):	$21,190,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$440,245
Maximum Annual Federal Credit, Acquisition:	$688,691
Total Maximum Annual Federal Credit:	$1,128,936
Approved Developer Fee in Project Cost:	$4,240,649
Approved Developer Fee in Eligible Basis:	$4,190,649
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	$1.06000

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:	$32,461,645
Actual Eligible Basis:	$32,461,645
Unadjusted Threshold Basis Limit:	$26,353,920
Total Adjusted Threshold Basis Limit:	$39,530,880

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

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 applicant requested and has been granted a partial waiver under TCAC Regulation Section 10325(f)(7)(K) due to excessive expensiveness. The project shall provide 10% of units meeting the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use. The remaining units received a partial waiver from having to 1) provide an accessible path of travel to the unit entry with conforming clearances, 2) restructure common area split face concrete masonry unit retaining and accent walls and widen existing unit entry doors, 3) remodel the trash room for conforming clearances, 4) restructure unit balcony access, and 5) provide exterior path of travel from secondary building egress.

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 01/01/2000 through 12/31/2014. The existing regulatory agreement expires 12/31/2054. The existing regulatory agreement income targeting is 40% of the units at or below 60% AMI. The projects shall maintain the rents and income targeting levels in the existing regulatory agreement(s) for the duration of the new regulatory agreement(s).

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 $19,295. In lieu of a Short Term Work Capitalized Reserve, the seller of the property will give a credit in the amount of $19,295, 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 Mission Viejo, has completed a site review of this project and 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
$1,128,936	**$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 TCAC:

- Wellness services and programs providing individualized support for tenants off-site within 1/2 mile

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 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.