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

Hermosa Village Phase I, located at 1515 Calle Del Mar and 1607 S. Hampstead Street in Anaheim, requested and is being recommended for a reservation of $1,809,240 in annual federal tax credits to finance the acquisition and rehabilitation of 295 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Related Development Company of California, LLC and is located in Senate District 29 and Assembly District 65.

Hermosa Village Phase I is a re-syndication of 2 existing Low Income Housing Tax Credit (LIHTC) projects, Jeffrey-Lynne Neighborhood Revitalization (CA-99-073) and Jeffrey-Lynne Neighborhood Revitalization, Phase II (CA-2000-008). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-948

Project Name Hermosa Village Phase I
Site Address: 1515 Calle Del Mar and 1607 S. Hampstead Street
Anaheim, CA 92802 County: Orange
Census Tract: 875.050

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,809,240	$0
Recommended:	$1,809,240	$0

Applicant Information

Applicant: Hermosa Village Phase I Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue
Irvine, CA 92612
Phone: (949) 660-7272 Fax: (949) 660-7273
Email: fcardone@related.com

General Partner(s) or Principal Owner(s): Related/Hermosa Village Phase I Development Co., LLC
CORE Hermosa Village 1 MGP., LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of CA
National CORE
Developer: Related Development Company of California, LLC
Investor/Consultant: US Bank
Management Agent: Related Management

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	40	
Total # of Units:	297	
No. & % of Tax Credit Units:	295	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (50 Units - 17%)	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 50% of area median income: 278

Number of Units @ or below 60% of area median income: 17

Bond Information

Issuer:	City of Anaheim
Expected Date of Issuance:	December 1, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Orange County
TCAC Project Analyst:	Jack Waegell

Unit Mix

67	1-Bedroom Units
140	2-Bedroom Units
72	3-Bedroom Units
18	4-Bedroom Units
297	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
31	1 Bedroom	45%	45%	$822
32	1 Bedroom	50%	50%	$914
4	1 Bedroom	60%	60%	$1,097
63	2 Bedrooms	45%	45%	$987
68	2 Bedrooms	50%	50%	$1,097
7	2 Bedrooms	60%	60%	$1,317
30	3 Bedrooms	45%	45%	$1,140
37	3 Bedrooms	50%	50%	$1,268
5	3 Bedrooms	60%	60%	$1,521
8	4 Bedrooms	45%	45%	$1,272
9	4 Bedrooms	50%	50%	$1,413
1	4 Bedrooms	60%	60%	$1,696
2	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application

Land and Acquisition	$34,922,000
Construction Costs	$0
Rehabilitation Costs	$12,915,219
Construction Contingency	$1,247,639
Relocation	$367,000
Architectural/Engineering	$346,000
Const. Interest, Perm. Financing	$2,150,295
Legal Fees, Appraisals	$150,000
Reserves	$1,182,000
Other Costs	$1,171,000
Developer Fee	$3,000,000
Commercial Costs	$0
Total	**$57,451,153**

Project Financing

Estimated Total Project Cost:	$57,451,153
Estimated Residential Project Cost:	$57,451,153
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$52
Per Unit Cost:	$193,438
True Cash Per Unit Cost*:	$193,438

Construction Financing

Source	Amount
Citibank - Tax Exempt Bonds	$40,842,455
City of Anaheim (Assumed)	$9,700,000
Existing Replacement Reserves	$259,000
Income from Operations	$1,508,548
Deferred Operating Deficit Reserve	$923,000
Deferred Developer Fee	$1,500,000
Tax Credit Equity	$2,718,150

Permanent Financing

Source	Amount
Citibank - Tax Exempt Bonds	$19,328,000
Citibank - Tranche B Loan	$7,058,290
City of Anaheim (Assumed)	$9,700,000
Existing Replacement Reserves	$259,000
Income from Operations	$1,508,548
Tax Credit Equity	$19,597,315
TOTAL	**$57,451,153**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$18,206,996
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$31,999,818
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$23,669,095
Qualified Basis (Acquisition):	$31,999,818
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$769,246
Maximum Annual Federal Credit, Acquisition:	$1,039,994
Total Maximum Annual Federal Credit:	$1,809,240
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,000,000
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	$1.08318

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:	$50,206,814
Actual Eligible Basis:	$50,206,814
Unadjusted Threshold Basis Limit:	$68,189,510
Total Adjusted Threshold Basis Limit:	$132,287,649

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: 94%

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

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 periods are from 1/1/2001 through 12/31/2015. The existing regulatory agreements expire 12/31/2055. The existing regulatory agreement income targeting for CA-99-073 is 87 units at or below 45% AMI and 96 units at or below 50% AMI, and the existing regulatory agreement income targeting for CA-2000-008 is 45 units at or below 45% AMI, and 50 units at or below 50% AMI. The newly resyndicated project shall continue to meet the rent and income targeting limits in the existing regulatory agreement(s) and any deeper targeting limits in the new regulatory agreement for the duration of the new regulatory agreement.

These two existing tax credit projects have been operating with one manager unit at each site. Once combined as CA-16-948, this combined project will continue to operate with two total managers' units. This project is part of the larger Jeffrey-Lynee Neighborhood Revitalization area which includes additional tax credit projects managed by the developer's property management company. TCAC Executive Director has granted a waiver of Regulation Section 10325(f)(7)(K) that would otherwise require this combined tax credit project to have 3 managers' units. However, TCAC reserves the right to require that at least one more additional on-site manager's unit be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

The project is a resyndication occurring concurrently with a Transfer Event. The project sets aside a Short Term Work Capitalized Replacement Reserve in the amount of $259,000 in accordance to TCAC regulatory requirements. The Short Term Work Capitalized Reserve amount of $259,000 is excluded from eligible basis.

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
$1,809,240	**$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.