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

Uptown Newport II (South), located at 4201 Jamboree Road in Newport Beach, requested and is being recommended for a reservation of $732,029 in annual federal tax credits to finance the new construction of 45 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Picerne Group Inc. and will be located in Senate District 37 and Assembly District 74.

Project Number CA-16-964

Project Name Uptown Newport II (South) - 4201 Jamboree

Site Address:	4201 Jamboree Road		
	Newport Beach, CA 92660	County:	Orange
Census Tract:	626.100		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$732,079	$0
Recommended:	$732,079	$0

Applicant Information

Applicant:	TPG/TSG Venture I Acquisition, LLC
Contact:	Forrest Newhall
Address:	5000 Birch St., Suite 600 Newport Beach, CA 92660
Phone:	949.267.1526
Email:	fnewhall@picernegroup.com

General Partner(s) or Principal Owner(s):	Uptown Newport South Building GP, LLC AHA MacArthur MGP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	The Picerne Group Affordable Housing Access, Inc.
Developer:	Picerne Group Inc.
Investor/Consultant:	Ken Picerne
Management Agent:	Picerne Management Corporation

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	46	
No. & % of Tax Credit Units:	45	100.00%
Federal Set-Aside Elected:	20%/50%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 50% of area median income: 45

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	November 30, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	Orange County
TCAC Project Analyst:	Jack Waegell

Unit Mix

6	SRO/Studio Units
25	1-Bedroom Units
15	2-Bedroom Units
46	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	SRO/Studio	50%	50%	$853
1	SRO/Studio	40%	40%	$683
21	1 Bedroom	50%	50%	$914
4	1 Bedroom	40%	40%	$731
10	2 Bedrooms	50%	50%	$1,097
4	2 Bedrooms	40%	40%	$878
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$1,100,000
Construction Costs	$10,657,902
Rehabilitation Costs	$0
Construction Contingency	$355,897
Relocation	$0
Architectural/Engineering	$344,194
Const. Interest, Perm. Financing	$1,049,182
Legal Fees, Appraisals	$78,066
Reserves	$211,667
Other Costs	$2,968,821
Developer Fee	$2,260,085
Commercial Costs	$0
Total	**$19,025,814**

Project Financing

Estimated Total Project Cost:	$19,025,814
Estimated Residential Project Cost:	$19,025,814
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$310
Per Unit Cost:	$413,605
True Cash Per Unit Cost*:	$372,113

Construction Financing

Source	Amount
Comerica Bank - TE Bonds	$9,796,405
Deferred Developer Fee	$1,908,619
Tax Credit Equity	$7,320,790

Permanent Financing

Source	Amount
Comerica Bank - TE Bonds	$9,796,405
Deferred Developer Fee	$1,908,619
Tax Credit Equity	$7,320,790
TOTAL	**$19,025,814**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$17,327,318
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$22,525,514
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$732,079
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,260,085
Investor/Consultant:	Ken Picerne
Federal Tax Credit Factor:	$1.00000

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:	$17,327,318
Actual Eligible Basis:	$17,327,318
Unadjusted Threshold Basis Limit:	$8,712,474
Total Adjusted Threshold Basis Limit:	$21,474,837

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
Local Development Impact Fees
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: 100%

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

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. Specifically, the property management company, Picerne Management Corporation, shall complete training as prescribed by TCAC prior to the project placing in service.

This tax credit project is part of a larger 222 unit project that includes these 45 tax credit units, 1 manager unit, and 176 market rate units. Instead of structuring the ownership of the larger project as an 80%/20% mixed-income project, the applicant currently anticipates separating the tax credit units out as a 100% tax credit project under a master lease which will specifically identify each of the tax credit units making up the tax credit project.

Local Reviewing Agency

The Local Reviewing Agency, the City of Newport Beach, 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**
$732,079	**$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 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 becoming certified under any one of the following programs:
  Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint - Gold.
- The project will exceed 2013 Title 24 Standards for New Construction by 9% of the California Building Code.