CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 16, 2016

Casa Ramon Apartments, located at 840 West Walnut Avenue in Orange, requested and is being recommended for a reservation of $841,642 in annual federal tax credits to finance the acquisition and rehabilitation of 74 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 Orange Housing Development Corporation and C&C Development Co., LLC. The project is located in Senate District 37 and Assembly District 68.

Casa Ramon Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Casa Ramon Apartments (CA-99-902). 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-16-966

Project Name Casa Ramon Apartments
Site Address: 840 West Walnut Avenue
Orange, CA 92868 County: Orange
Census Tract: 759.010

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$841,642	$0
Recommended:	$841,642	$0

Applicant Information

Applicant:	840 W Walnut, LP
Contact:	Todd Cottle
Address:	414 E. Chapman Avenue Orange, CA 92866
Phone:	(714) 288-7600 Fax: (866) 570-0728
Email:	todd@c-cdev.com

General Partner(s) or Principal Owner(s):	OHDC Casa Ramon, LLC C&C Casa Ramon, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Orange Housing Development Corporation The Cottle Family Trust; Todd R. Cottle
Developer:	Orange Housing Development Corporation C&C Development Co., LLC
Investor/Consultant:	National Equity Fund Inc.
Management Agent:	John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	5
Total # of Units:	75
No. & % of Tax Credit Units:	74 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt/HUD Section 8 Project-based Contract (75 units - 100%) HUD FHA 223(f) Loan
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 48
Number of Units @ or below 60% of area median income: 26

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	January 15, 2017
Credit Enhancement:	CBRE - Capital Markets Group

Information

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

Unit Mix

26	1-Bedroom Units
41	2-Bedroom Units
8	3-Bedroom Units
75	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
17	1 Bedroom	50%	50%	$914
26	2 Bedrooms	50%	50%	$1,097
5	3 Bedrooms	50%	50%	$1,267
9	1 Bedroom	60%	60%	$1,097
14	2 Bedrooms	60%	60%	$1,317
3	3 Bedrooms	60%	60%	$1,521
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$22,230,000
Construction Costs	$0
Rehabilitation Costs	$2,125,118
Construction Contingency	$194,420
Relocation	$460,000
Architectural/Engineering	$125,000
Const. Interest, Perm. Financing	$544,922
Legal Fees, Appraisals	$95,000
Reserves	$794,700
Other Costs	$1,192,282
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$30,261,442**

Project Financing

Estimated Total Project Cost:	$30,261,442
Estimated Residential Project Cost:	$30,261,442
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$34
Per Unit Cost:	$403,486
True Cash Per Unit Cost*:	$355,941

Construction Financing

Source	Amount
Tax Exempt Bonds	$16,300,000
Seller Carryback Loan	$3,565,896
Existing Reserves	$398,360
Deferred Developer Fee	$81,500
General Partner Equity	$1,459,789
Tax Credit Equity	$8,455,897

Permanent Financing

Source	Amount
HUD FHA 223(f) Loan	$16,300,000
Seller Carryback Loan	$3,565,896
Existing Reserves	$398,360
Refundable Deposit	$81,500
General Partner Equity	$1,459,789
Tax Credit Equity	$8,455,897
TOTAL	**$30,261,442**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,175,195
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$20,468,908
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,427,754
Qualified Basis (Acquisition):	$20,468,908
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$176,402
Maximum Annual Federal Credit, Acquisition:	$665,240
Total Maximum Annual Federal Credit:	$841,642
Approved Developer Fee in Project Cost:	$2,500,000
Approved Developer Fee in Eligible Basis:	$2,187,148
Investor/Consultant:	National Equity Fund Inc.
Federal Tax Credit Factor:	$1.00469

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:	$24,644,103
Actual Eligible Basis:	$24,644,103
Unadjusted Threshold Basis Limit:	$15,839,964
Total Adjusted Threshold Basis Limit:	$25,977,541

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: 64%

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% due to excessive expensiveness. The project shall provide 5% of units (4 units) meeting the provisions of California Building Code Chapter 11(B) regarding mobility accessibility features, except for the requirements of achieving fully adaptable units at all ground floor units, relocating electrical panel-boards, or providing accessible covered parking area.

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 12/31/2029. The existing regulatory agreement income targeting is 40% of the units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new 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. The project sets aside a Capitalized Replacement Reserve in the amount of $360,000 in accordance to TCAC regulatory requirements. The Capitalized Replacement Reserve Amount of $360,000 is excluded from eligible basis.

Local Reviewing Agency
The Local Reviewing Agency, the City of Orange, 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
$841,642	$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.