

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

Villa Pacifica II, located at 7418 & 7422 Archibald Avenue in Rancho Cucamonga, requested and is being recommended for a reservation of \$582,368 in annual federal tax credits to finance the new construction of 59 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Orange Housing Development Corporation and C&C Development Co., LLC and is located in Senate District 23 and Assembly District 40.

Project Number CA-16-968

Project Name Villa Pacifica II
Site Address: 7418 & 7422 Archibald Avenue
Rancho Cucamonga, CA 91730 County: San Bernardino
Census Tract: 20.270

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$582,368	\$0
Recommended:	\$582,368	\$0

Applicant Information

Applicant: Villa Pacifica II, 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): C&C Villa Pacifica, LLC
OHDC Villa Pacifica, LLC

General Partner Type: Joint Venture

Parent Company(ies): C&C Development Co., LLC
Orange Housing Development Corporation

Developer: Orange Housing Development Corporation
C&C Development Co., LLC

Investor/Consultant: National Equity Fund Inc.

Management Agent: Advanced Property Services, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100.00%
 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: 5
 Number of Units @ or below 50% of area median income: 7
 Number of Units @ or below 60% of area median income: 47

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: April 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

48 1-Bedroom Units
12 2-Bedroom Units
 60 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 1 Bedroom	30%	30%	\$360
6 1 Bedroom	50%	50%	\$600
1 2 Bedrooms	50%	50%	\$720
20 1 Bedroom	60%	60%	\$720
17 1 Bedroom	60%	60%	\$720
10 2 Bedrooms	60%	60%	\$864
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,925,000
Construction Costs	\$8,027,570
Rehabilitation Costs	\$0
Construction Contingency	\$500,965
Relocation	\$0
Architectural/Engineering	\$630,000
Const. Interest, Perm. Financing	\$903,065
Legal Fees, Appraisals	\$197,525
Reserves	\$142,500
Other Costs	\$2,038,265
Developer Fee	\$1,797,893
Commercial Costs	\$0
Total	\$17,162,783

Project Financing

Estimated Total Project Cost:	\$17,162,783
Estimated Residential Project Cost:	\$17,162,783
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$133
Per Unit Cost:	\$286,046
True Cash Per Unit Cost*:	\$275,765

Construction Financing

Source	Amount
Bank of America	\$9,294,472
City of Rancho Cucamonga	\$5,683,821
Deferred Cost	\$186,690
Deferred Developer Fee	\$1,207,379
General Partner Equity	\$100
Tax Credit Equity	\$790,321

Permanent Financing

Source	Amount
CCRC	\$1,900,960
CCRC - Tranche B	\$1,545,460
City of Rancho Cucamonga	\$6,683,821
Deferred Developer Fee	\$616,864
General Partner Equity	\$442,184
Tax Credit Equity	\$5,973,494
TOTAL	\$17,162,783

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,783,856
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$17,919,013
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$582,368
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,797,893
Investor/Consultant:	National Equity Fund Inc.
Federal Tax Credit Factor:	\$1.02572

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:	\$13,783,856
Actual Eligible Basis:	\$13,783,856
Unadjusted Threshold Basis Limit:	\$13,341,600
Total Adjusted Threshold Basis Limit:	\$16,943,832

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: 11%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 16%

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: None

Local Reviewing Agency

The Local Reviewing Agency, the City of Rancho Cucamonga, 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
\$582,368	\$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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.