

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 15, 2017

Mission Trails Apartments, located on Mission Trail south of Hidden Trail/Elberta Road in Lake Elsinore, requested and is being recommended for a reservation of \$1,053,787 in annual federal tax credits to finance the new construction of 80 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 C&C Development Co., LLC and Orange Housing Development Corporation and will be located in Senate District 28 and Assembly District 67.

Project Number CA-17-792

Project Name Mission Trail Apartments
 Site Address: Mission Trail south of Hidden Trail/Elberta Road
 Lake Elsinore, CA 92530 County: Riverside
 Census Tract: 430.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,053,787	\$0
Recommended:	\$1,053,787	\$0

Applicant Information

Applicant: Mission Trail LE, 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): Lake Elsinore CCR, LLC
 OHDC Lake Elsinore, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): C&C Development Co., LLC
 Orange Housing Development Corporation
 Developer: C&C Development Co., LLC
 Orange Housing Development Corporation
 Investor/Consultant: National Equity Fund Inc.
 Management Agent: Advanced Property Services, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 81
 No. & % of Tax Credit Units: 80 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 21
 Number of Units @ or below 60% of area median income: 59

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: February 1, 2018
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Tiffani Negrete

Unit Mix

9 2-Bedroom Units
 72 3-Bedroom Units

 81 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9 2 Bedrooms	50%	50%	\$726
12 3 Bedrooms	50%	50%	\$838
59 3 Bedrooms	60%	60%	\$1,006
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$41,847,300

Project Cost Summary at Application

Land and Acquisition	\$2,035,000
Construction Costs	\$14,768,572
Rehabilitation Costs	\$0
Construction Contingency	\$1,159,886
Relocation	\$0
Architectural/Engineering	\$1,013,298
Const. Interest, Perm. Financing	\$1,578,196
Legal Fees, Appraisals	\$150,000
Reserves	\$264,950
Other Costs	\$3,600,843
Developer Fee	\$3,253,266
Commercial Costs	\$0
Total	\$27,824,011

Project Financing

Estimated Total Project Cost:	\$27,824,011
Estimated Residential Project Cost:	\$27,824,011
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$156
Per Unit Cost:	\$343,506
True Cash Per Unit Cost*:	\$335,383

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America - T.E. Bonds	\$16,000,000
Column Financial Inc.**	\$1,878,228
City of Lake Elsinore	\$6,799,655
Deferred Costs	\$317,750
Deferred Developer Fee	\$2,039,487
General Partner Equity	\$100
Tax Credit Equity	\$788,791

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bank of America - T.E. Bonds	\$4,811,410
Column Financial Inc.**	\$1,878,228
City of Lake Elsinore	\$10,215,250
Deferred Developer Fee	\$657,950
General Partner Equity	\$753,266
Tax Credit Equity	\$9,507,907
TOTAL	\$27,824,011

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

**Column Financial Inc. - Subordinate Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,941,709
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,424,222
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,053,787
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,253,266
Investor/Consultant:	National Equity Fund Inc.
Federal Tax Credit Factor:	\$0.90226

Per Regulation Section 10327(c)(6), 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:	\$24,941,709
Actual Eligible Basis:	\$24,941,709
Unadjusted Threshold Basis Limit:	\$28,567,584
Total Adjusted Threshold Basis Limit:	\$35,995,156

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: 26%

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 Lake Elsinore, 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
\$1,053,787	\$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.