

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number CA-2011-832

Project Name Santa Ana Infill

Site Address: Site 1: 217-219 South Birch Street
 Site 2: 435-437 South Birch Street
 Site 4: 605-611 East Washington Avenue
 Santa Ana, CA 92701 County: Orange

Census Tract: Site 3: 2034-2038 North Bush Street
 Santa Ana, CA 92706 County: Orange
 Sites 1 & 2: 750.02
 Site 3: 753.03
 Site 4: 744.05

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$821,280	\$0
Recommended:	\$821,280	\$0

Applicant Information

Applicant: Santa Ana WBBB, LP
 Contact: Todd Cottle
 Address: 414 E. Chapman Ave.
 Orange, CA 92866
 Phone: 714-288-7600 Fax: 866-570-0728
 Email: todd@c-cdev.com

General partner(s) or principal owner(s): OHDC WBBB, LP
 C&C WBBB, LP
 General Partner Type: Joint Venture
 Developer: OHDC and C&C
 Investor: National Equity Fund Inc.
 Management Agent: Advanced Property Services, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 51
 No. & % of Tax Credit Units: 50 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt/HOME/NSP
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 4
 Number of Units @ or below 50% of area median income: 46

Bond Information

Issuer: Housing Authority of the City of Santa Ana
 Expected Date of Issuance: 08/11/11
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Orange County
 TCAC Project Analyst: DC Navarrette

Unit Mix

14 2-Bedroom Units
 36 3-Bedroom Units
 1 4-Bedroom Units

 51 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 3 Bedrooms	30%	30%	\$724
14 2 Bedrooms	50%	47%	\$981
31 3 Bedrooms	50%	47%	\$1,134
1 5 Bedrooms	50%	47%	\$1,395
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$20,639,870
 Estimated Residential Project Cost: \$20,639,870

Residential

Construction Cost Per Square Foot: \$133
 Per Unit Cost: \$404,703

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$10,615,700
City of Santa Ana HOME	\$2,000,000
City of Santa Ana RDA	\$3,507,474
City of Santa Ana NSP	\$655,000
Deferred Costs	\$340,450
Deferred Developer Fee	\$1,027,183
Deferred Developer Fee, Construction Only	\$869,600
General Partner Equity	\$100
Tax Credit Equity	\$1,624,363

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC	\$2,852,570
City of Santa Ana HOME	\$4,000,000
City of Santa Ana RDA	\$4,799,498
City of Santa Ana NSP	\$655,000
Deferred Developer Fee	\$1,027,183
General Partner Equity	\$100
Tax Credit Equity	\$7,305,519
TOTAL	\$20,639,870

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,580,992
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,155,290
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$821,280
Approved Developer Fee in Project Cost:	\$2,427,183
Approved Developer Fee in Eligible Basis:	\$2,067,370
Investor:	National Equity Fund Inc.
Federal Tax Credit Factor:	\$0.88953

Per Regulation Section 10322(i)(4)(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:	\$18,580,992
Actual Eligible Basis:	\$18,580,992
Unadjusted Threshold Basis Limit:	\$14,023,368
Total Adjusted Threshold Basis Limit:	\$30,178,755

Adjustments to Basis Limit:

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 92%

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 3.40% 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 Santa Ana, 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
\$821,280	\$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 an allocation 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 placed-in-service application is submitted:

- A) A new construction or adaptive reuse project Application that exceeds Title 24 energy standards by at least 10%, or a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission.
- B) Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less).
- C) Formaldehyde-free insulation.