

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project**

March 16, 2016

Cadence Family Irvine Housing, located on the west side of Harringay between Paramount and Magnet in Irvine, requested and is being recommended for a reservation of \$1,144,480 in annual federal tax credits to finance the new construction of 81 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Related Development Company of California, LLC and will be located in Senate District 37 and Assembly District 68.

Project Number CA-16-818

Project Name Cadence Family Irvine Housing
Site Address: West side of Harringay, between Paramount and Magnet
Irvine, CA 92618 County: Orange
Census Tract: 524.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,144,480	\$0
Recommended:	\$1,144,480	\$0

Applicant Information

Applicant: Cadence Family Irvine Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 Fax: (949) 660-7273
Email: fcardone@related.com

General Partner(s) or Principal Owner(s): Related/Cadence Family Irvine Development Co., LLC
Riverside Charitable Corporation
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California, LLC
Riverside Charitable Corporation
Developer: Related Development Company of California, LLC
Investor/Consultant: U.S. Bancorp Community Development Corporation
Management Agent: Related Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 8
 Total # of Units: 82
 No. & % of Tax Credit Units: 81 100.00%
 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: 81

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: March 31, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Orange County
 TCAC Project Analyst: Jack Waegell

Unit Mix

57 2-Bedroom Units
 25 3-Bedroom Units

 82 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
56 2 Bedrooms	50%	46%	\$981
25 3 Bedrooms	50%	45%	\$1,090
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,965,501
Construction Costs	\$16,408,990
Rehabilitation Costs	\$0
Construction Contingency	\$820,449
Relocation	\$0
Architectural/Engineering	\$2,038,000
Construction Interest, Perm Financing	\$1,216,000
Legal Fees, Appraisals	\$365,000
Reserves	\$205,060
Other Costs	\$3,681,065
Developer Fee	\$3,479,000
Commercial Costs	\$0
Total	\$39,179,065

Project Financing

Estimated Total Project Cost:	\$39,179,065
Estimated Residential Project Cost:	\$39,179,065

Residential

Construction Cost Per Square Foot:	\$172
Per Unit Cost:	\$477,793

Construction Financing

Source	Amount
MUFG Union Bank, N.A.	\$17,000,000
Seller - Residual Receipt Loan	\$8,271,537
Seller - Donated Land Value	\$10,955,000
Deferred Developer Fee	\$1,739,500
Tax Credit Equity	\$1,213,028

Permanent Financing

Source	Amount
MUFG Union Bank, N.A.	\$4,874,000
Seller - Residual Receipt Loan	\$10,240,789
Seller - Donated Land Value	\$10,955,000
Deferred Developer Fee	\$979,000
Tax Credit Equity	\$12,130,276
TOTAL	\$39,179,065

Determination of Credit Amount(s)

Requested Eligible Basis:	\$26,677,857
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$34,681,214
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,144,480
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,479,000
Investor/Consultant: U.S. Bancorp Community Development Corporation	
Federal Tax Credit Factor:	\$1.05989

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:	\$26,677,857
Actual Eligible Basis:	\$26,677,857
Unadjusted Threshold Basis Limit:	\$20,292,000
Total Adjusted Threshold Basis Limit:	\$42,139,779

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: 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 3.30% 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,144,480	\$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.