

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
November 15, 2017**

East 6th Street Family Apartments, located at 1040-1066 East 6th Street in Corona, requested and is being recommended for a reservation of \$953,443 in annual federal tax credits to finance the new construction of 84 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by C&C Development Co., LLC and Orange Housing Development Corporation. It will be located in Senate District 31 and Assembly District 60.

Project Number CA-17-793

Project Name East 6th Street Family Apartments
Site Address: 1040 - 1066 East 6th Street
Corona, CA 92879 County: Riverside
Census Tract: 416.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$953,443	\$0
Recommended:	\$953,443	\$0

Applicant Information

Applicant: East 6th Street, 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 East 6th Street, LLC
OHDC East 6th Street, 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: 7
 Total # of Units: 85
 No. & % of Tax Credit Units: 84 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 8
 Number of Units @ or below 50% of area median income: 3
 Number of Units @ or below 60% of area median income: 73

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: April 24, 2018
 Credit Enhancement: N/A

Information

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

Unit Mix

23 1-Bedroom Units
 23 2-Bedroom Units
 39 3-Bedroom Units

 85 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 1 Bedroom	30%	30%	\$363
3 2 Bedrooms	30%	30%	\$435
2 3 Bedrooms	30%	30%	\$503
1 1 Bedroom	50%	50%	\$605
19 1 Bedroom	60%	59%	\$719
20 2 Bedrooms	60%	60%	\$864
34 3 Bedrooms	60%	60%	\$998
2 3 Bedrooms	50%	50%	\$838
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$50,185,740

Project Cost Summary at Application

Land and Acquisition	\$5,954,400
Construction Costs	\$13,354,324
Rehabilitation Costs	\$0
Construction Contingency	\$616,936
Relocation	\$143,000
Architectural/Engineering	\$980,000
Const. Interest, Perm. Financing	\$1,487,460
Legal Fees, Appraisals	\$155,000
Reserves	\$176,300
Other Costs	\$3,552,733
Developer Fee	\$2,943,483
Commercial Costs	\$0
Total	\$29,363,636

Project Financing

Estimated Total Project Cost:	\$29,363,636
Estimated Residential Project Cost:	\$29,363,636
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$159
Per Unit Cost:	\$345,455
True Cash Per Unit Cost*:	\$316,800

Construction Financing

Source	Amount
Bank of America - T.E. Bonds	\$16,500,000
Column Financial**	\$1,970,980
Corona Housing Authority Loan	\$6,802,156
City of Corona - Deferred Impact Fee	\$1,189,660
Deferred Costs	\$240,740
Deferred Developer Fee	\$1,940,000
General Partner Equity	\$100
Tax Credit Equity	\$720,000

Permanent Financing

Source	Amount
Bank of America - T.E. Bonds	\$4,814,690
Column Financial**	\$1,970,980
Corona Housing Authority	\$8,268,191
City of Corona - HOME	\$1,356,888
City of Corona - CDBG	\$600,000
Deferred Impact Fee	\$1,189,660
Performance Bond Refund	\$175,000
Deferred Developer Fee	\$1,245,997
General Partner Equity	\$1,043,483
Tax Credit Equity	\$8,698,747
TOTAL	\$29,363,636

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

**Column Financial - Subordinate Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,566,702
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$29,336,713
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$953,443
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,943,483
Investor/Consultant:	National Equity Fund Inc.
Federal Tax Credit Factor:	\$0.91235

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:	\$22,566,702
Actual Eligible Basis:	\$22,566,702
Unadjusted Threshold Basis Limit:	\$25,977,138
Total Adjusted Threshold Basis Limit:	\$31,432,337

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: 3%
 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 18%

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 meet 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 Corona, 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
\$953,443	\$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.