

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 18, 2015**

Project Number CA-15-817

Project Name Anton Portola Apartments
Site Address: Lot 2 of Tract 17757 - South of the Intersection of
Still Night & Oak Forest
Irvine, CA 92618 County: Orange
Census Tract: 524.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,308,841	\$0
Recommended:	\$2,308,841	\$0

Applicant Information

Applicant: Portola Irvine L.P.
Contact: Trisha Malone
Address: 1415 L Street
Sacramento, CA 95814
Phone: 916-400-2080 Fax: 916-737-5136
Email: tmalone@anton.co

General Partner(s) or Principal Owner(s): PacH Anton South Holdings, LLC
Anton Portola, LLC
General Partner Type: Joint Venture
Parent Company(ies): Pacific Housing, Inc.
Anton Development Company
Developer: Anton Development Company
Investor/Consultant: The Irvine Company
Management Agent: St. Anton Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 12
Total # of Units: 256
No. & % of Tax Credit Units: 253 100.00%
Federal Set-Aside Elected: 20%/50%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 253

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: April 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Orange County
 TCAC Project Analyst: Jack Waegell

Unit Mix

150 1-Bedroom Units
 106 2-Bedroom Units

 256 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
62 1 Bedroom	50%	50%	\$847
4 1 Bedroom	50%	50%	\$847
72 1 Bedroom	50%	50%	\$847
12 1 Bedroom	50%	50%	\$847
51 2 Bedrooms	50%	50%	\$1,016
4 2 Bedrooms	50%	50%	\$1,016
48 2 Bedrooms	50%	50%	\$1,016
3 2 Bedrooms	Manager's Unit	Manager's Unit	\$967

Project Financing

Estimated Total Project Cost: \$70,032,276
 Estimated Residential Project Cost: \$70,032,276

Residential

Construction Cost Per Square Foot: \$145
 Per Unit Cost: \$273,564

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$35,000,000
Irvine Unified School District	\$9,020,000
City of Irvine	\$3,097,962
Irvine Company - Land Lease Value	\$1,658,031
Net Income from Operations	\$239,314
Tax Credit Equity	\$6,500,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$13,670,000
Citi - Subordinate Loan	\$3,840,000
Irvine Unified School District	\$8,364,561
City of Irvine	\$3,097,962
Irvine Company - Land Lease Value	\$1,658,031
Irvine Company - Land Lease Donation	\$12,416,969
Net Income from Operations	\$1,170,660
Deferred Developer Fee	\$1,573,682
Tax Credit Equity	\$24,240,411
TOTAL	\$70,032,276

Determination of Credit Amount(s)

Requested Eligible Basis:	\$52,858,091
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$68,715,518
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$2,308,841
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	The Irvine Company
Federal Tax Credit Factor:	\$1.04990

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:	\$52,858,091
Actual Eligible Basis:	\$52,858,091
Unadjusted Threshold Basis Limit:	\$51,598,400
Total Adjusted Threshold Basis Limit:	\$103,196,800

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: 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 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 3.36% 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:

The project has 456 total vehicle parking spaces including 134 private tuck-under garages. The applicant plans on renting these tuck-under garages at an additional charge and has therefore excluded the cost of these garages in the amount of \$1,139,000 (\$8,500 per garage) from eligible basis.

The fee owner of the land, The Irvine Company, is leasing the land for the project under a long-term, below-market rate lease. For TCAC purposes, the land's value in the budget reflects its fee market value of \$14,075,000 split between the lease's value of \$1,658,031, based on its below-market lease terms, and the balance of the total land value as a land-lease donation of \$12,416,969. This provides a more detailed breakdown of the project's "costs"/value absent any special considerations such as a donation or a below-market lease, but also reflects a higher project cost and cost per unit than the project will actually incur.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Irvine, 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
\$2,308,841	\$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