

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 15, 2015**

Project Number CA-15-859

Project Name Pebble Cove
Site Address: 2555 W. Winston Road
Anaheim, CA 92804 County: Orange
Census Tract: 878.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$708,505	\$0
Recommended:	\$708,505	\$0

Applicant Information

Applicant: 2555 W. Winston Road, LP
Contact: Shawn Boyd
Address: 341 Bayside Dr. #3
Newport Beach, CA 92660
Phone: 562.650.5265 Fax: 949.673.1415
Email: sb@mariman.com

General Partner(s) or Principal Owner(s): AOF PEBBLE COVE, LLC
PB-MCO, LLC
General Partner Type: Joint Venture
Parent Company(ies): AOF/Pacific Affordable Housing Corporation
Mariman & Co.
Developer: Mariman & Co.
Investor/Consultant: WNC
Management Agent: Mariman & Co.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 111
No. & % of Tax Credit Units: 110 100.00%
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: 11
Number of Units @ or below 60% of area median income: 99

Bond Information

Issuer: Anaheim Housing Authority
 Expected Date of Issuance: August 15, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

79 1-Bedroom Units
 32 2-Bedroom Units

 111 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>
8 1 Bedroom	50%	50%	\$878
71 1 Bedroom	60%	60%	\$1,054
3 2 Bedrooms	50%	50%	\$1,055
28 2 Bedrooms	60%	60%	\$1,266
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$16,658,200
Construction Costs	\$0
Rehabilitation Costs	\$3,158,909
Construction Contingency	\$92,786
Relocation	\$240,000
Architectural/Engineering	\$54,500
Construction Interest, Perm Financing	\$847,156
Legal Fees, Appraisals	\$187,500
Reserves	\$312,588
Other Costs	\$164,107
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$24,215,746

Project Financing

Estimated Total Project Cost:	\$24,215,746
Estimated Residential Project Cost:	\$24,215,746

Residential

Construction Cost Per Square Foot:	\$36
Per Unit Cost:	\$218,160

Construction Financing

Source	Amount
Oak Grove Capital - TE Bonds	\$13,145,330
Seller Carryback Note	\$3,550,000
Deferred Costs	\$2,322,030
Tax Credit Equity	\$5,198,386

Permanent Financing

Source	Amount
Oak Grove Capital - TE Bonds	\$13,145,330
Seller Carryback Note	\$3,550,000
Deferred Developer Fee	\$238,574
Tax Credit Equity	\$7,281,842
TOTAL	\$24,215,746

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,450,786
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,683,811
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,786,022
Qualified Basis (Acquisition):	\$15,683,811
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$190,939
Maximum Annual Federal Credit, Acquisition:	\$517,566
Total Maximum Annual Federal Credit:	\$708,505
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$1.02778

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:	\$20,134,597
Actual Eligible Basis:	\$20,134,597
Unadjusted Threshold Basis Limit:	\$22,227,948
Total Adjusted Threshold Basis Limit:	\$24,450,743

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: 10%

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 3.30% 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: This project is the re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Pebble Cove (CA-97-960), which is under a 30-year TCAC regulatory agreement.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Anaheim Housing Authority, 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
\$708,505	\$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: 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 TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 25% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.