

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Project Number CA-15-858

Project Name Northwest Manors II
Site Address: 700 E. Mountain Street & 965 N. Raymond Avenue
Pasadena, CA 91104 & 91103 County: Los Angeles
Census Tract: 4621.00 & 4620.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$477,490	\$0
Recommended:	\$477,490	\$0

Applicant Information

Applicant: East Mountain Housing Associates, L.P.
Contact: Anne B. Wilson
Address: 2815 Camino del Rio South, Suite 350
San Diego, CA 92108
Phone: 619-450-8709 Fax: 619-282-4145
Email: awilson@chworks.org

General Partner(s) or Principal Owner(s): Northwest Manors LLC
General Partner Type: Nonprofit
Parent Company(ies): Community HousingWorks
Developer: Community HousingWorks
Investor/Consultant: California Housing Partnership Corporation
Management Agent: SK Management Company, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 44
No. & % of Tax Credit Units: 42 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contracts (42 units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 7
Number of Units @ or below 60% of area median income: 35

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: August 31, 2015
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

8 SRO/Studio Units
 6 1-Bedroom Units
30 2-Bedroom Units
 44 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>
3 SRO/Studio	50%	50%	\$726
5 SRO/Studio	60%	60%	\$871
1 1 Bedroom	50%	50%	\$778
5 1 Bedroom	60%	60%	\$933
2 2 Bedrooms	50%	50%	\$933
22 2 Bedrooms	60%	60%	\$1,120
1 2 Bedrooms	50%	50%	\$933
3 2 Bedrooms	60%	60%	\$1,120
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$8,261,313
Construction Costs	\$0
Rehabilitation Costs	\$2,341,997
Construction Contingency	\$237,020
Relocation	\$187,530
Architectural/Engineering	\$129,900
Construction Interest, Perm Financing	\$921,971
Legal Fees, Appraisals	\$233,500
Reserves	\$203,299
Other Costs	\$296,244
Developer Fee	\$1,724,700
Commercial Costs	\$0
Total	\$14,537,474

Project Financing

Estimated Total Project Cost:	\$14,537,474
Estimated Residential Project Cost:	\$14,537,474

Residential

Construction Cost Per Square Foot:	\$82
Per Unit Cost:	\$330,397

Construction Financing

Source	Amount
Wells Fargo	\$10,530,000
Seller Carryback Note	\$2,176,723
Accrued/Deferred Interest	\$98,000
Costs Deferred Until Completion	\$1,034,700
General Partner Equity	\$100
Tax Credit Equity	\$697,951

Permanent Financing

Source	Amount
Wells Fargo	\$7,200,000
Seller Carryback Note	\$2,176,723
Accrued/Deferred Interest	\$98,000
Income from Operations	\$149,307
General Partner Equity	\$100
Tax Credit Equity	\$4,913,344
TOTAL	\$14,537,474

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,153,167
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,070,264
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,399,117
Qualified Basis (Acquisition):	\$9,070,264
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$178,171
Maximum Annual Federal Credit, Acquisition:	\$299,319
Total Maximum Annual Federal Credit:	\$477,490
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,724,700
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.02899

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:	\$13,223,431
Actual Eligible Basis:	\$13,223,431
Unadjusted Threshold Basis Limit:	\$11,435,858
Total Adjusted Threshold Basis Limit:	\$13,265,595

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: 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 3.30% 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 composed of 2 scattered-site apartment projects located approximately 0.75 miles apart from one another. The 700 E. Mountain Street site is 2 buildings with 26 units consisting of 4 studio units and 22 two-bedroom units including 1 two-bedroom manager's unit. The 965 N. Raymond Avenue site is 1 building with 18 units consisting of 4 studio units, 6 one-bedroom units, and 8 two-bedroom units including 1 two-bedroom manager's unit.

Each site has an existing HUD Section 8 project-based contract covering 100% of the 42 affordable units.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Pasadena, 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
\$477,490	\$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.