CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015
REVISED

Rowland Heights Terrace Apartments, located at 1945 S. Batson Avenue in Rowland Heights, CA, requested and is being recommended for a reservation of $972,722 in annual federal tax credits to finance the acquisition and rehabilitation of 144 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Preservation Partners Development and will be located in Senate District 29 and Assembly District 55.

Rowland Heights Terrace Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Rowland Heights Apartments (CA-01-866).

Project Number CA-15-916

Project Name Rowland Heights Terrace Apartments
Site Address: 1945 S. Batson Avenue
Rowland Heights, CA 91748 County: Los Angeles
Census Tract: 4087.240

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$972,722	$0
Recommended:	$972,722	$0

Applicant Information

Applicant:	Rowland Preservation Limited Partnership
Contact:	William Szymczak
Address:	21515 Hawthorne Blvd., Suite 390 Torrance, CA 90503
Phone:	310-802-6671 Fax: 310-802-6680
Email:	bill@preservationpartners.org

General Partner(s) or Principal Owner(s):	JHC - Rowland LLC Rowland Preservation Partners LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Jamboree Housing Corporation Rowland Preservation Partners LLC
Developer:	Preservation Partners Development
Investor/Consultant:	Candeur Group, LLC
Management Agent:	Preservation Partners Management Group Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	37
Total # of Units:	144
No. & % of Tax Credit Units:	142 100.00%
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: 15
Number of Units @ or below 60% of area median income: 127

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	December 15, 2015
Credit Enhancement:	N/A

Information

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

Unit Mix

112	2-Bedroom Units
32	3-Bedroom Units
144	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12	2 Bedrooms	50%	50%	$933
11	2 Bedrooms	60%	52%	$961
88	2 Bedrooms	60%	60%	$1,120
3	3 Bedrooms	50%	50%	$1,079
3	3 Bedrooms	60%	51%	$1,110
25	3 Bedrooms	60%	60%	$1,295
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,120
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,295

Project Cost Summary at Application

Land and Acquisition	$23,000,000
Construction Costs	$0
Rehabilitation Costs	$4,274,054
Construction Contingency	$431,405
Relocation	$309,600
Architectural/Engineering	$123,000
Construction Interest, Perm Financing	$677,029
Legal Fees, Appraisals	$197,500
Reserves	$413,181
Other Costs	$148,120
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$32,073,888**

Project Financing

Estimated Total Project Cost:	$32,073,888
Estimated Residential Project Cost:	$32,073,888

Residential

Construction Cost Per Square Foot:	$32
Per Unit Cost:	$222,735

Construction Financing

Source	Amount
Citi Community Capital *	$24,100,000
Seller Carryback Note*	$6,014,881
Tax Credit Equity	$1,959,007

Permanent Financing

Source	Amount
Citi Community Capital	$15,769,000
Citi Community Capital-Subordinate Loan	$1,080,000
Seller Carryback Note	$4,989,810
Tax Credit Equity	$10,235,078
TOTAL	**$32,073,888**

*Tax Exempt Bonds totaling $30,114,881

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,018,018
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$21,715,041
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,823,423
Qualified Basis (Acquisition):	$21,715,041
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$256,126
Maximum Annual Federal Credit, Acquisition:	$716,596
Total Maximum Annual Federal Credit:	$972,722
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Candeur Group, LLC
Federal Tax Credit Factor:	$1.05221

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:	$27,733,059
Actual Eligible Basis:	$27,733,059
Unadjusted Threshold Basis Limit:	$42,951,168
Total Adjusted Threshold Basis Limit:	$47,246,285

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 are below the minimum operating expenses established in the Regulations as allowed under regulation section 10327(g)(1). See the "Special Issues/Other Significant Information" section of this report below. 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’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $4,800. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $4,461 on agreement of the permanent lender and equity investor.

Local Reviewing Agency:

The Local Reviewing Agency, Community Development Commission of Los Angeles County, has completed a site review of this project and 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
$972,722	**$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 provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:

    (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).