

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

Shadow Hills, located at 211-275 East Wilbur Road in Thousand Oaks, requested and is being recommended for a reservation of \$1,039,640 in annual federal tax credits to finance the acquisition and rehabilitation of 100 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Many Mansions, a California nonprofit corporation, and is located in Senate District 27 and Assembly District 44.

Project Number CA-16-856

Project Name Shadow Hills
Site Address: 211-275 E. Wilbur Road
 Thousand Oaks, CA 91360 County: Ventura
Census Tract: 68.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,039,640	\$0
Recommended:	\$1,039,640	\$0

Applicant Information

Applicant: Shadow Hills LP
Contact: Rick Schroeder
Address: 1259 E. Thousand Oaks Blvd.
 Thousand Oaks, CA 91362
Phone: (805) 496-4948 **Fax:** (805) 497-1305
Email: rick@manymansions.org

General Partner(s) or Principal Owner(s): Shadow Hills LLC
General Partner Type: Nonprofit
Parent Company(ies): Many Mansions, a California nonprofit corporation
Developer: Many Mansions, a California nonprofit corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Many Mansions, a California nonprofit corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 8
Total # of Units: 101
No. & % of Tax Credit Units: 100 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 30
Number of Units @ or below 60% of area median income: 70

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: June 28, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

26 1-Bedroom Units
 67 2-Bedroom Units
 8 3-Bedroom Units

101 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14 1 Bedroom	50%	50%	\$850
12 1 Bedroom	60%	60%	\$1,020
8 2 Bedrooms	50%	50%	\$1,020
28 2 Bedrooms	60%	60%	\$1,224
6 2 Bedrooms	50%	50%	\$1,020
25 2 Bedrooms	60%	60%	\$1,224
2 3 Bedrooms	50%	50%	\$1,178
5 3 Bedrooms	60%	60%	\$1,413
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$17,759,323
Construction Costs	\$0
Rehabilitation Costs	\$6,253,573
Construction Contingency	\$781,697
Relocation	\$459,998
Architectural/Engineering	\$207,548
Construction Interest, Perm Financing	\$1,032,338
Legal Fees, Appraisals	\$184,500
Reserves	\$324,792
Other Costs	\$370,421
Developer Fee	\$3,813,629
Commercial Costs	\$0
Total	\$31,187,819

Project Financing

Estimated Total Project Cost:	\$31,187,819
Estimated Residential Project Cost:	\$31,187,819
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$78
Per Unit Cost:	\$308,790
Effective Per Unit Cost:	\$196,579

Construction Financing

Source	Amount
Citibank TE Bond - Tranche A	\$5,370,000
Citibank TE Bond - Tranche B	\$10,880,000
Citibank Subordinate Loan	\$990,000
Seller Carryback Loan	\$10,019,724
Accrued/Deferred Interest	\$256,500
Costs Deferred Until Conversion	\$1,854,792
Purchased Reserves	\$59,323
Deferred Developer Fee	\$1,313,629
GP Equity	\$100
Tax Credit Equity	\$ 443,751

Permanent Financing

Source	Amount
Citibank TE Bond - Tranche A	\$5,370,000
Citibank Subordinate Loan	\$990,000
Seller Carryback Loan	\$10,019,724
Accrued/Deferred Interest	\$256,500
Sponsor Loan	\$1,830,584
Income From Operations	\$287,949
Purchased Reserves	\$59,323
Deferred Developer Fee	\$1,313,629
GP Equity	\$100
Tax Credit Equity	\$11,060,010
TOTAL	\$31,187,819

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,170,321
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$20,067,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,921,417
Qualified Basis (Acquisition):	\$20,067,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$387,446
Maximum Annual Federal Credit, Acquisition:	\$652,194
Total Maximum Annual Federal Credit:	\$1,039,640
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,813,629
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.06383

Per Regulation Section 10322(h)(9)(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:	\$29,237,821
Actual Eligible Basis:	\$29,237,821
Unadjusted Threshold Basis Limit:	\$28,907,114
Total Adjusted Threshold Basis Limit:	\$37,579,248

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: 30%

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 3.25% 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,039,640	\$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.