CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 16, 2016

The Promenade, located at 1333 W. Garvey Ave. North in West Covina, requested and is being recommended for a reservation of $598,839 in annual federal tax credits to finance the acquisition and rehabilitation of 123 units of housing serving tenants with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by National Community Renaissance of California and is located in Senate District 22 and Assembly District 48.

The Promenade is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, The Promenade (CA-98-931). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-972

Project Name The Promenade
Site Address: 1333 W. Garvey Ave. North
West Covina, CA 91790 County: Los Angeles
Census Tract: 4055.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$598,839	$0
Recommended:	$598,839	$0

Applicant Information

Applicant:	The Promenade Housing Partners, L.P.
Contact:	Zoe Kranemann
Address:	9421 Haven Avenue Rancho Cucamonga, CA 91730
Phone:	909-483-2444
Email:	zkranemann@nationalcore.org

General Partner(s) or Principal Owner(s):	The Promenade Housing Partners GP, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	National Community Renaissance of Northern California National Community Renaissance of California
Developer:	National Community Renaissance of California
Investor/Consultant:	Hudson Hudson Capital LLC
Management Agent:	National Community Renaissance of California

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	124
No. & % of Tax Credit Units:	123 100.00%
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:	50
Number of Units @ or below 60% of area median income:	73

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	December 31, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

28	SRO/Studio Units
95	1-Bedroom Units
1	2-Bedroom Units
124	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	SRO/Studio	40%	30%	$453
6	SRO/Studio	50%	37%	$566
16	SRO/Studio	60%	45%	$680
19	1 Bedroom	40%	32%	$518
19	1 Bedroom	50%	40%	$648
57	1 Bedroom	60%	48%	$777
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$9,293,249
Construction Costs	$0
Rehabilitation Costs	$5,932,991
Construction Contingency	$440,474
Relocation	$517,000
Architectural/Engineering	$215,000
Const. Interest, Perm. Financing	$1,034,000
Legal Fees, Appraisals	$110,000
Reserves	$226,192
Other Costs	$372,243
Developer Fee	$1,200,000
Commercial Costs	$0
Total	**$19,341,149**

Project Financing

Estimated Total Project Cost:	$19,341,149
Estimated Residential Project Cost:	$19,341,149
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$87
Per Unit Cost:	$155,977
True Cash Per Unit Cost*:	$147,872

Construction Financing

Source	Amount
Bank of the West - T.E. Bonds	$4,053,000
Bank of the West Loan	$6,740,254
Assumed Principal**	$5,617,867
Assumed Interest**	$683,249
Seller Carryback Loan	$723,027
Tax Credit Equity	$658,722

Permanent Financing

Source	Amount
Bank of the West - T.E. Bonds	$4,053,000
Assumed Principal**	$5,617,867
Assumed Interest**	$683,249
Seller Carryback Loan	$723,027
Sponsor Loan	$796,606
Existing Reserves	$300,000
Net Operating Income	$100,000
Deferred Developer Fee	$282,015
Solar Tax Credit Equity	$198,162
Tax Credit Equity	$6,587,223
TOTAL	**$19,341,149**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**West Covina Successor Housing Agency

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,194,949
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$7,774,202
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$10,653,434
Qualified Basis (Acquisition):	$7,774,202
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$346,177
Maximum Annual Federal Credit, Acquisition:	$252,662
Total Maximum Annual Federal Credit:	$598,839
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,200,000
Investor/Consultant:	Hudson Hudson Capital LLC
Federal Tax Credit Factor:	$1.10000

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:	$15,969,151
Actual Eligible Basis:	$15,969,151
Unadjusted Threshold Basis Limit:	$26,769,716
Total Adjusted Threshold Basis Limit:	$37,477,602

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: 40%

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. See **Special Issues/Other Significant Information** below for additional information. 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

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% due to excessive expensiveness. The project shall provide 5% of units (7 units, may all be one-bedroom units) meeting the provisions of California Building Code Chapter 11(B) regarding mobility accessibility features.

The project's annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $4,800. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $4,225 in agreement with the permanent lender and the equity investor.

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/1999 through 12/31/2013. The existing regulatory agreement expires 12/31/2028. The existing regulatory agreement income targeting is 40% of the units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

This project is the re-syndication of an existing tax credit project, The Promenade (CA-98-931), which is under a 30-year TCAC extended use agreement. The new reservation of tax credits will result in moderately deeper rent/income targeting than the original award of tax credits by restricting 25 units at 40% AMI, 25 units at 50% AMI, and the balance of the units at 60% AMI. The affordable housing restrictions will extend out to approximately year 2070.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve in the amount of $1,716,350 that is otherwise required.

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
$598,839	**$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.