

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 13, 2013**

Project Number CA-13-827

Project Name Huntington Plaza Apartments
Site Address: 6330 Rugby Avenue
Huntington Park, CA 90255 County: Los Angeles
Census Tract: 5326.050

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$606,652	\$0
Recommended:	\$606,652	\$0

Applicant Information

Applicant: Huntington Park 607, L.P.
Contact: Geoffrey C. Brown
Address: 2440 Professional Drive
Roseville, CA 95661
Phone: 916.724.3836 Fax: 916.773.5866
Email: gbrown@usapropfund.com

General partner(s) or principal owner(s): USA Huntington Park 607, Inc.
Riverside Charitable Corporation
General Partner Type: Joint Venture
Developer: USA Multifamily Housing, Inc.
Investor/Consultant: WNC & Associates, Inc.
Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 184
No. & % of Tax Credit Units: 182 100%
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: 93
Number of Units @ or below 60% of area median income: 89

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: April 30, 2013
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

147 1-Bedroom Units
 37 2-Bedroom Units

 184 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
63 1 Bedroom	50%	43%	\$674
12 1 Bedroom	50%	43%	\$679
15 1 Bedroom	60%	43%	\$679
45 1 Bedroom	60%	52%	\$816
12 1 Bedroom	60%	53%	\$831
8 2 Bedrooms	50%	39%	\$748
10 2 Bedrooms	50%	41%	\$774
3 2 Bedrooms	60%	41%	\$774
4 2 Bedrooms	60%	55%	\$1,044
10 2 Bedrooms	60%	56%	\$1,067
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,087

Project Financing

Estimated Total Project Cost: \$21,002,441
 Estimated Residential Project Cost: \$21,002,441

Residential

Construction Cost Per Square Foot: \$40
 Per Unit Cost: \$114,144

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$11,750,000
City of Huntington Park	\$2,500,000
Income from Operations	\$1,143,839
Deferred Developer Fee	\$2,229,645
Tax Credit Equity	\$3,378,957

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$10,250,000
City of Huntington Park	\$2,500,000
Income from Operations	\$1,143,839
Deferred Developer Fee	\$1,042,173
Tax Credit Equity	\$6,066,429
TOTAL	\$21,002,441

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,019,948
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,074,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,125,932
Qualified Basis (Acquisition):	\$10,074,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$284,284
Maximum Annual Federal Credit, Acquisition:	\$322,368
Total Maximum Annual Federal Credit:	\$606,652
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,229,645
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.99999

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:	\$17,093,948
Actual Eligible Basis:	\$17,093,949
Unadjusted Threshold Basis Limit:	\$39,779,354
Total Adjusted Threshold Basis Limit:	\$66,829,315

Adjustments to Basis Limit:

Parking Beneath Residential Units

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 51%

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), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% 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's estimate of the builder overhead, profit, and general requirement costs and eligible basis exceeds the 14% limit established under regulation section 10327(c)(1). The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 tax forms, any costs or eligible basis that exceeds this limit will not be allowed.

The project's estimated operating expenses at \$4,142 per unit per year are 6% below the TCAC operating expense minimum of \$4,400 per unit per year as permitted under regulation section 10327(g)(1) on concurrence by the equity investor and the permanent lender.

The project has received a waiver of the minimum construction standards under regulation section 10326(g)(6) as set forth in regulation sections 10325(f)(7)(C), (E), & (K) for the landscaping, exterior doors, and insulation respectively as supported by the Capital Needs Assessment.

This project is the resyndication of an existing tax credit project, CA-93-110.

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
\$606,652

State Tax Credits/Total
\$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:

- Educational, health and wellness, or skill-building classes for a minimum of 84 hours per year on-site or within 1/4 mile of the project.
- Wellness services and programs which provide individualized support for tenants (not group classes), but need not be provided by licensed organizations or individuals. The services shall include, but are not limited to, visiting nurses programs, intergenerational visiting programs, and senior companion programs. Service and programs shall be provided on-site for a minimum of 100 hours per year.