

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 17, 2013**

**Project Number** CA-13-848

**Project Name** Andres Duarte Terrace II  
 Site Address: 1700 Huntington Drive  
 Duarte, CA 91010 County: Los Angeles  
 Census Tract: 4301.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$476,306	\$0
Recommended:	\$476,306	\$0

**Applicant Information**

Applicant: Andres Duarte Terrace II, LP  
 Contact: Benjamin F. Beckler III  
 Address: 516 Burchett Street  
 Glendale, CA 91203  
 Phone: (818) 247-0420 Fax: (818) 265-0058  
 Email: ben.beckler@thebegroup.org

General Partner(s) or Principal Owner(s): Andres Duarte Terrace II, LLC  
 Southern California Presbyterian Homes  
 General Partner Type: Nonprofit  
 Developer: Southern California Presbyterian Homes  
 Investor/Consultant: California Housing Partnership Corp.  
 Management Agent: Southern California Presbyterian Homes

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 43  
 No. & % of Tax Credit Units: 42 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD 202 Capital Advance / PRAC (42 units- 100%) /  
 HUD Predevelopment Grant  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 42

**Bond Information**

Issuer: CA Municipal Finance Authority  
 Expected Date of Issuance: October 17, 2013  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

42 1-Bedroom Units  
 1 2-Bedroom Units  


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 43 Total Units

<u>Unit Type &amp; 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>
42 1 Bedroom	50%	39%	\$609
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$13,427,823  
 Estimated Residential Project Cost: \$13,427,823

**Residential**

Construction Cost Per Square Foot: \$213  
 Per Unit Cost: \$312,275

**Construction Financing**

**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital (Tax Exempt)	\$10,242,841	HUD 202 Capital Advance	\$7,013,000
City of Duarte (RDA)	\$1,200,000	City of Duarte (RDA)	\$1,200,000
HUD Predevelopment Funds	\$400,000	HUD Predevelopment Funds	\$400,000
Deferred Cost	\$1,229,600	Rent Up Reserve Release	\$136,000
Tax Credit Equity	\$355,382	Tax Credit Equity	\$4,678,823
		<b>TOTAL</b>	<b>\$13,427,823</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$11,449,652  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$14,884,548  
 Applicable Rate: 3.20%  
 Total Maximum Annual Federal Credit: \$476,306  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,490,600  
 Investor/Consultant: California Housing Partnership Corp.  
 Federal Tax Credit Factor: \$0.98231

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:	\$11,449,652
Actual Eligible Basis:	\$11,449,652
Unadjusted Threshold Basis Limit:	\$8,854,218
Total Adjusted Threshold Basis Limit:	\$20,984,497

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- 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: 100%

**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 3.20% 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:** None

**Local Reviewing Agency:**

The Local Reviewing Agency, City of Duarte, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$476,306</b>	<b>\$0</b>

**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