

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 19, 2014**

Project Number CA-14-817

Project Name Monument Arms Apartments
Site Address: 261 East Alaska Avenue
Fairfield, CA 94533 County: Solano
Census Tract: 2526.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$457,918	\$0
Recommended:	\$457,918	\$0

Applicant Information

Applicant: Monument Arms Communities Partners LP
Contact: Laura Archuleta
Address: 17701 Cowan Suite 200
Irvine, CA 92614
Phone: 949-263-8676 Fax: 949-263-0647
Email: larchuleta@jamboreehousing.com

General Partner(s) or Principal Owner(s): JHC-Monument Arms LLC
WNC-Monument Arms Partners G/P, LLC
General Partner Type: Joint Venture
Parent Companies: Jamboree Housing Corporation
WNC Development Partners, LLC
Developer: Jamboree Housing Corporation
Investor/Consultant: WNC & Associates
Management Agent: The John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 14
Total # of Units: 92
No. & % of Tax Credit Units: 88 96.70%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (61 units - 66%)
HCD MHP Funding: No
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: 58

Bond Information

Issuer: CA Municipal Finance Authority
 Expected Date of Issuance: April 1, 2014
 Credit Enhancement: None

Information

Housing Type: At-Risk
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Daniel Tran

Unit Mix

10 SRO/Studio Units
 8 1-Bedroom Units
 24 2-Bedroom Units
 30 3-Bedroom Units
 20 4-Bedroom Units

 92 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 SRO/Studio	60%	57%	\$770
6 1 Bedroom	60%	60%	\$863
5 2 Bedrooms	60%	60%	\$1,036
6 3 Bedrooms	60%	60%	\$1,197
7 4 Bedrooms	60%	60%	\$1,335
9 2 Bedrooms	60%	60%	\$1,036
12 3 Bedrooms	60%	58%	\$1,157
6 4 Bedrooms	60%	58%	\$1,285
3 SRO/Studio	50%	50%	\$671
2 1 Bedroom	50%	50%	\$719
8 2 Bedrooms	50%	50%	\$863
10 3 Bedrooms	50%	50%	\$997
7 4 Bedrooms	50%	50%	\$1,112
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
2 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,127
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$982

Project Financing

Estimated Total Project Cost:	\$14,886,852
Estimated Residential Project Cost:	\$14,886,852

Residential

Construction Cost Per Square Foot:	\$40
Per Unit Cost:	\$161,814

Construction Financing

Source	Amount
CitiBank	\$11,000,000
NOI/Bridge Loan Interest	\$1,170,053
Deferred Developer Fee	\$900,959
Tax Credit Equity	\$1,815,840

Permanent Financing

Source	Amount
CitiBank	\$8,465,275
NOI/Bridge Loan Interest	\$1,170,053
Deferred Developer Fee	\$900,959
Tax Credit Equity	\$4,350,565
TOTAL	\$14,886,852

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,592,639
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,442,297
Applicable Fraction:	96.70%
Qualified Basis (Rehabilitation):	\$8,287,889
Qualified Basis (Acquisition):	\$6,229,914
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$258,561
Maximum Annual Federal Credit, Acquisition:	\$199,357
Total Maximum Annual Federal Credit:	\$457,918
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,700,000
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.95008

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:	\$13,034,936
Actual Eligible Basis:	\$13,034,936
Unadjusted Threshold Basis Limit:	\$29,579,140
Total Adjusted Threshold Basis Limit:	\$39,044,465

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: 34%

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: The estimate of the construction overhead slightly exceeds the limits established by regulation. Be cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed; otherwise the Tax Credit originally awarded may be decreased.

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
\$457,918	\$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