

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 21, 2014

Project Number CA-14-848

Project Name Jefferson Townhomes / Cunningham Village

Site Address:	<u>Site 1</u> Jefferson Townhomes 1693 & 1741 West Jefferson Los Angeles, CA 90016 County: Los Angeles	<u>Site 2</u> Cunningham Village 2300 South Victoria Avenue Los Angeles, CA 90016 County: Los Angeles
Census Tract:	2187.020	2221

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$655,208	\$0
Recommended:	\$655,208	\$0

Applicant Information

Applicant: Jefferson Cunningham Community Partners, LP
Contact: Seth Gellis
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: 949-236-8280 Fax: 714-662-4412
Email: sgellis@wncinc.com

General Partner(s) or Principal Owner(s): AHDF - Jefferson Cunningham G/P, LLC
WNC - Jefferson Cunningham G/P, LLC
General Partner Type: Joint Venture
Parent Company(ies): Affordable Housing Development Fund, Inc.
WNC Development Partners, LLC
Developer: WNC Community Preservation Partners
Investor/Consultant: WNC & Associates
Management Agent: Professional Property Management LLC

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 16
 Total # of Units: 65
 No. & % of Tax Credit Units: 64 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Contract (60 units - 94%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 20
 Number of Units @ or below 60% of area median income: 44

Bond Information

Issuer: California Statewide Community Development Corporation
 Expected Date of Issuance: August 1, 2014
 Credit Enhancement: N/A

Information

Housing Type: At-Risk
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Marisol Parks

Unit Mix

55 2-Bedroom Units
 5 3-Bedroom Units
 5 4-Bedroom Units

 65 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>
<u>Site 1</u>			
10 2 Bedrooms	50%	50%	\$917
20 2 Bedrooms	60%	60%	\$1,101
<u>Site 2</u>			
4 2 Bedrooms	50%	50%	\$917
3 3 Bedrooms	50%	50%	\$1,060
3 4 Bedrooms	50%	50%	\$1,182
4 2 Bedrooms	60%	60%	\$1,101
16 2 Bedrooms	60%	60%	\$1,101
2 3 Bedrooms	60%	60%	\$1,272
2 4 Bedrooms	60%	60%	\$1,419
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$19,709,791
Estimated Residential Project Cost:	\$19,709,791

Residential

Construction Cost Per Square Foot:	\$25
Per Unit Cost:	\$303,228

Construction Financing

Source	Amount
California Bank & Trust	\$15,000,000
NOI During Construction	\$594,718
Deferred Developer Fee	\$2,377,796
Tax Credit Equity	\$1,737,277

Permanent Financing

Source	Amount
California Bank & Trust	\$11,550,000
NOI During Construction	\$594,718
Deferred Developer Fee	\$1,258,696
Tax Credit Equity	\$6,306,377
TOTAL	\$19,709,791

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,096,766
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,133,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,625,796
Applicable Rate:	3.36%
Qualified Basis (Acquisition):	\$13,133,000
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$213,940
Maximum Annual Federal Credit, Acquisition:	\$441,268
Total Maximum Annual Federal Credit:	\$655,208
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,377,796
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.96250

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	\$18,229,766
Actual Eligible Basis:	\$18,229,766
Unadjusted Threshold Basis Limit:	\$18,037,095
Total Adjusted Threshold Basis Limi	\$23,628,594

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: 31%

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, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.36% 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 project's annual per unit operating expenses, in the amount of \$4,318, are below the TCAC published minimum of \$4,800. Upon agreement of the equity investor and the permanent lender, the proposed annual per unit operating expense amount of \$4,318 may be utilized for underwriting as allowed by TCAC Regulations Section 10327(g)(1).

The project requested and was granted a waiver to TCAC Regulation Section 10325(f)(7)(L) by the Executive Director. This project is an existing HUD project that has been operating with 1 manager's unit.

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
\$655,208	\$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