

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 15, 2014

Project Number CA-14-891

Project Name Montclair Apartments
 Site Address: 150 South 19th Avenue
 Lemoore, CA 93245 County: Kings
 Census Tract: 4.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$149,143	\$0
Recommended:	\$149,143	\$0

Applicant Information

Applicant: Montclair Lemoore AR, L.P.
 Contact: Thomas Erickson
 Address: 330 W. Victoria Street
 Gardena, CA 90248
 Phone: 424-258-2918 Fax: 424-258-2919
 Email: thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s): Foundation for Affordable Housing V, Inc.
 HCHP Affordable Multi-Family, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Foundation for Affordable Housing
 Highridge Costa Housing Partners, LLC
 Developer: Highridge Costa Housing Partners, LLC
 Investor/Consultant: Victoria Capital, LLC
 Management Agent: ConAm Property Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 35
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100.00%
 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: 32
 Number of Units @ or below 60% of area median income: 47

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: December 2014
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

32 2-Bedroom Units
 48 3-Bedroom Units

 80 Total Units

Unit Type & Number	2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12 2 Bedrooms	50%	47%	\$574
1 2 Bedrooms	50%	49%	\$600
9 2 Bedrooms	60%	49%	\$600
10 2 Bedrooms	60%	51%	\$626
14 3 Bedrooms	50%	47%	\$662
5 3 Bedrooms	50%	49%	\$692
12 3 Bedrooms	60%	49%	\$692
16 3 Bedrooms	60%	51%	\$723
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$625

Project Financing

Estimated Total Project Cost: \$5,403,010
 Estimated Residential Project Cost: \$5,403,010

Residential

Construction Cost Per Square Foot: \$11
 Per Unit Cost: \$67,538

Construction Financing

Source	Amount
America First T.E. Investors, L.P.	\$3,525,000
Income From Operations	\$97,230
Seller Carryback	\$1,008,111
Deferred Costs	\$683,249
Tax Credit Equity	\$89,420

Permanent Financing

Source	Amount
America First T.E. Investors, L.P.	\$2,388,437
Income From Operations	\$97,230
Seller Carryback	\$1,008,110
Deferred Developer Fee	\$566,950
Tax Credit Equity	\$1,342,283
TOTAL	\$5,403,010

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$1,309,384
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,266,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$1,309,384
Qualified Basis (Acquisition):	\$3,266,000
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$39,405
Maximum Annual Federal Credit, Acquisition:	\$109,738
Total Maximum Annual Federal Credit:	\$149,143
Approved Developer Fee (in Project Cost & Eligible Basis):	\$596,789
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	\$0.90000

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:	\$4,575,384
Actual Eligible Basis:	\$4,575,384
Unadjusted Threshold Basis Limit:	\$19,659,776
Total Adjusted Threshold Basis Limit:	\$27,523,686

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 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 3.36% 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 applicant’s estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

Project is a re-syndication of an existing Low Income Housing Tax Credit project, Montclair Apartments (CA-97-524).

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
\$149,143	\$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