

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 10, 2014
REVISED**

Project Number CA-14-910

Project Name Northwest Manor I

Site Address: Site 1 Site 2
 985 N. Raymond Avenue 1009 N. Raymond Avenue
 Pasadena, CA 91103 Pasadena, CA 91103

 Site 3 Site 4
 1010 N. Summit Avenue 1050 N. Summit Avenue
 Pasadena, CA 91103 Pasadena, CA 91103

Census Tract: 4620.02
County: Los Angeles

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$361,621	\$0
Recommended:	\$361,621	\$0

Applicant Information

Applicant: NW Manor Community Partners, LP
Contact: Karen Buckland
Address: 17782 Sky Park Circle
 Irvine, CA 92614
Phone: 949.236.8135 Fax: 714.662.6834
Email: kbuckland@wncinc.com

General Partner(s) or Principal Owner(s): AHDF-NW Manor G/P, LLC
 WNC-NW Manor 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, LLC
Investor/Consultant: WNC & Associates, Inc.
Management Agent: Professional Property Management LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 5
Total # of Units: 44
No. & % of Tax Credit Units: 44 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based contract (100% - 44 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 9
Number of Units @ or below 60% of area median income: 34

Bond Information

Issuer: CSCDA
Expected Date of Issuance: January 15, 2015
Credit Enhancement: N/A

Information

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

Unit Mix

14 1-Bedroom Units
30 2-Bedroom Units
44 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>			
2 2 Bedrooms	50%	50%	\$916
6 2 Bedrooms	60%	60%	\$1,100
<u>Site 2</u>			
2 1 Bedroom	50%	50%	\$764
8 1 Bedroom	60%	60%	\$916
1 2 Bedrooms	50%	50%	\$916
6 2 Bedrooms	60%	60%	\$1,100
1 2 Bedrooms*	60%	60%	\$1,100
<u>Site 3</u>			
1 1 Bedroom	50%	50%	\$764
3 1 Bedroom	60%	60%	\$916
1 2 Bedrooms	50%	50%	\$916
3 2 Bedrooms	60%	60%	\$1,100
<u>Site 4</u>			
2 2 Bedrooms	50%	50%	\$916
8 2 Bedrooms	60%	60%	\$1,100

* Manager's Unit

Project Financing

Estimated Total Project Cost:	\$10,732,445
Estimated Residential Project Cost:	\$10,732,445

Residential

Construction Cost Per Square Foot:	\$51
Per Unit Cost:	\$243,919

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$9,000,000
NOI	\$386,445
Deferred Developer Fee	\$300,982
Tax Credit Equity	\$1,045,018

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$6,750,000
NOI	\$386,445
Deferred Developer Fee	\$88,276
Tax Credit Equity	\$3,507,724
TOTAL	\$10,732,445

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,967,737
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,905,542
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,858,058
Qualified Basis (Acquisition):	\$6,905,542
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$129,595
Maximum Annual Federal Credit, Acquisition:	\$232,026
Total Maximum Annual Federal Credit:	\$361,621
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,287,819
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.97000

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:	\$9,873,279
Actual Eligible Basis:	\$9,873,279
Unadjusted Threshold Basis Limit:	\$10,950,702
Total Adjusted Threshold Basis Limit	\$13,140,842

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: 20%

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:

This is a rehabilitation of four (4) scattered site developments built between 1954 and 1973. All of the units are currently under an existing Department of Housing and Urban Development (HUD) Project-based Section 8 Housing Assistance Program contract. All tenants will continue to benefit from this HUD Section 8 rental assistance.

The applicant will pay all utilities for the project.

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
\$361,621	\$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