

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-818

Project Name Amberwood Apartments I & II
 Site Address: 11280 and 10960 Oakview Drive
 Hanford, CA 93230 County: Kings
 Census Tract: 11.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$233,891	\$0
Recommended:	\$233,891	\$0

Applicant Information

Applicant: Hanford 2015 Community Partners, LP
 Contact: Philip Randolph ("Randy") Hammond
 Address: 1219 North Plaza Drive
 Visalia, CA 93291
 Phone: 559-802-6512 Fax: 559-651-2585
 Email: Randy@tetraprop.com

General Partner(s) or Principal Owner(s): STPH II, LLC
 General Partner Type: For Profit
 Parent Company(ies): STPH II, LLC
 Developer: Community Preservation Partners, LLC
 Investor/Consultant: WNC & Associates, Inc.
 Management Agent: Tetra Property Management Inc.

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 15
 Total # of Units: 88
 No. & % of Tax Credit Units: 86 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 USDA RHS 515 Loan & RHS 521 Rental Assistance (42 Units - 89%)
 HUD Section 8 Project Based Contract (39 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 18
 Number of Units @ or below 60% of area median income: 68

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: May 15, 2015
 Credit Enhancement: N/A

Information

Housing Type: At-Risk
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

10 1-Bedroom Units
 54 2-Bedroom Units
 24 3-Bedroom Units

 88 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	50%	48%	\$512
8 1 Bedroom	60%	58%	\$615
6 2 Bedrooms	50%	48%	\$615
23 2 Bedrooms	60%	58%	\$738
2 3 Bedrooms	50%	48%	\$711
6 3 Bedrooms	60%	58%	\$853
5 2 Bedrooms	50%	48%	\$615
19 2 Bedrooms	60%	58%	\$738
3 3 Bedrooms	50%	48%	\$710
12 3 Bedrooms	60%	58%	\$853
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,645,000
Construction Costs	\$0
Rehabilitation Costs	\$2,534,400
Construction Contingency	\$220,000
Relocation	\$10,000
Architectural/Engineering	\$160,000
Construction Interest, Perm Financing	\$448,608
Legal Fees, Appraisals	\$180,000
Reserves	\$256,000
Other Costs	\$261,556
Developer Fee	\$839,125
Commercial Costs	\$0
Total	\$7,554,689

Project Financing

Estimated Total Project Cost:	\$7,554,689
Estimated Residential Project Cost:	\$7,554,689

Construction Financing

Source	Amount
Rabobank, N.A.	\$4,300,000
USDA RHS 515 (Assumed)	\$1,861,372
Net Operating Income	\$141,750
Existing Replacement Reserves	\$166,709
Deferred Developer Fee	\$474,404
Tax Credit Equity	\$610,454

Residential

Construction Cost Per Square Foot:	\$25
Per Unit Cost:	\$85,849

Permanent Financing

Source	Amount
Bonneville Mutlifamily - RHS 538	\$3,325,000
USDA RHS 515 (Assumed)	\$1,861,372
Net Operating Income	\$141,750
Existing Replacement Reserves	\$166,709
Deferred Developer Fee	\$25,011
Tax Credit Equity	\$2,034,847
TOTAL	\$7,554,689

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,051,306
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,381,985
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,266,698
Qualified Basis (Acquisition):	\$2,381,985
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$155,285
Maximum Annual Federal Credit, Acquisition:	\$78,606
Total Maximum Annual Federal Credit:	\$233,891
Approved Developer Fee (in Project Cost & Eligible Basis):	\$839,125
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.87000

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:	\$6,433,291
Actual Eligible Basis:	\$6,433,291
Unadjusted Threshold Basis Limit:	\$19,569,308
Total Adjusted Threshold Basis Limit:	\$23,483,170

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 3.30% 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 Hanford/Community Development Department, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$233,891	\$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.