

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Sycamore Terrace, located at 1301 San Bernardino Road in Upland, CA, requested and is being recommended for a reservation of \$586,517 in annual federal tax credits to finance the acquisition and rehabilitation of 98 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Southern California Presbyterian Homes and will be located in Senate District 25 and Assembly District 41.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-15-897

Project Name Sycamore Terrace
 Site Address: 1301 San Bernardino Road
 Upland, CA 91786 County: San Bernardino
 Census Tract: 9.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$586,517	\$0
Recommended:	\$586,517	\$0

Applicant Information

Applicant: Sycamore Terrace Upland, L.P.
 Contact: Orest Y. Dolyniuk
 Address: 516 Burchett Street
 Glendale, CA 91203
 Phone: (818) 247-0420
 Email: orest.dolyniuk@thebegroup.org

General Partner(s) or Principal Owner(s): Sycamore Terrace LLC
 Southern California Presbyterian Homes
 General Partner Type: Joint Venture
 Parent Company(ies): Southern California Presbyterian Homes
 Southern California Presbyterian Homes
 Developer: Southern California Presbyterian Homes
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Southern California Presbyterian Homes

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 100
 No. & % of Tax Credit Units: 98 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-Based Section 8 Contract (98 Units - 100%)
 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: 68

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 15, 2015
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

99 1-Bedroom Units
1 2-Bedroom Units
 100 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>
30 1 Bedroom	50%	50%	\$582
68 1 Bedroom	60%	50%	\$582
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,200,000
Construction Costs	\$0
Rehabilitation Costs	\$4,081,037
Construction Contingency	\$408,000
Relocation	\$0
Architectural/Engineering	\$175,000
Construction Interest, Perm Financing	\$1,163,889
Legal Fees, Appraisals	\$223,400
Reserves	\$393,209
Other Costs	\$498,100
Developer Fee	\$2,063,600
Commercial Costs	\$0
Total	\$19,206,235

Project Financing

Estimated Total Project Cost:	\$19,206,235
Estimated Residential Project Cost:	\$19,206,235

Residential

Construction Cost Per Square Foot:	\$49
Per Unit Cost:	\$192,062

Construction Financing

Source	Amount
Citi Community Capital	\$13,000,000
Seller Note	\$4,025,292
Existing Reserves	\$142,000
Deferred Costs	\$1,250,108
Deferred Interest	\$124,300
Tax Credit Equity	\$664,535

Permanent Financing

Source	Amount
Citi Community Capital	\$8,649,000
Seller Note	\$4,025,292
Existing Reserves	\$142,000
Deferred Interest	\$124,300
Net Operating Income	\$501,000
Tax Credit Equity	\$5,764,643
TOTAL	\$19,206,235

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,506,491
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,315,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,458,438
Qualified Basis (Acquisition):	\$9,315,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$279,122
Maximum Annual Federal Credit, Acquisition:	\$307,395
Total Maximum Annual Federal Credit:	\$586,517
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,063,600
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.98286

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:	\$15,821,491
Actual Eligible Basis:	\$15,821,491
Unadjusted Threshold Basis Limit:	\$20,801,018
Total Adjusted Threshold Basis Limit:	\$29,121,425

Adjustments to Basis Limit:

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

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:

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service.

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
\$586,517

State Tax Credits/Total
\$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.