

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 21, 2015

Villa Garcia, located at 1379-1419 E. Thousand Oaks Boulevard in Thousand Oaks, CA, requested and is being recommended for a reservation of \$498,314 in annual federal tax credits to finance the acquisition and rehabilitation of 79 units of housing serving individuals and families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Many Mansions and will be located in Senate District 27 and Assembly District 44.

Villa Garcia is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Villa Garcia (CA-98-970). The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-15-912

Project Name Villa Garcia
Site Address: 1379 - 1419 E. Thousand Oaks Blvd.
Thousand Oaks, CA 91362 County: Ventura
Census Tract: 71.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$498,314	\$0
Recommended:	\$498,314	\$0

Applicant Information

Applicant: Villa Garcia LLC
Contact: Rick Schroeder
Address: 1259 E. Thousand Oaks Blvd.
Thousand Oaks, CA 91362
Phone: (805) 496-4948 Fax: (805) 497-1305
Email: rick@manymansions.org

General Partner(s) or Principal Owner(s): Villa Garcia LLC
General Partner Type: Nonprofit
Parent Company(ies): Many Mansions, a California nonprofit corporation
Developer: Many Mansions, a California nonprofit corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Many Mansions, a California nonprofit corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 20
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (18 units - 22%)
 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 Municipal Finance Authority
 Expected Date of Issuance: December 15, 2015
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

40 1-Bedroom Units
 20 2-Bedroom Units
 20 3-Bedroom Units

 80 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>
16 1 Bedroom	50%	50%	\$850
2 1 Bedroom	50%	50%	\$850
18 1 Bedroom	60%	60%	\$1,020
4 1 Bedroom	60%	60%	\$1,020
10 2 Bedrooms	50%	50%	\$1,020
7 2 Bedrooms	60%	60%	\$1,224
3 2 Bedrooms	60%	60%	\$1,224
3 3 Bedrooms	50%	50%	\$1,178
1 3 Bedrooms	50%	50%	\$1,178
7 3 Bedrooms	60%	60%	\$1,413
8 3 Bedrooms	60%	60%	\$1,413
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,416,688
Construction Costs	\$0
Rehabilitation Costs	\$2,368,509
Construction Contingency	\$355,276
Relocation	\$16,670
Architectural/Engineering	\$89,100
Construction Interest, Perm Financing	\$615,448
Legal Fees, Appraisals	\$166,000
Reserves	\$219,074
Other Costs	\$251,118
Developer Fee	\$1,818,326
Commercial Costs	\$0
Total	\$16,316,209

Project Financing

Estimated Total Project Cost:	\$16,316,209
Estimated Residential Project Cost:	\$16,316,209

Residential

Construction Cost Per Square Foot:	\$37
Per Unit Cost:	\$203,953

Construction Financing

Source	Amount
US Bank - Tax Exempt Bonds	\$10,000,000
City of Thousand Oaks - Loan (Assumed)	\$2,582,704
Accrued/Deferred Interest	\$74,700
Sponsor Loan	\$2,655,742
Accrued/Deferred Interest	\$76,800
Existing Reserves	\$116,688
Costs Deferred Until Permanent Closing	\$775,508
General Partner Equity	\$100
Tax Credit Equity	\$33,967

Permanent Financing

Source	Amount
US Bank - Tax Exempt Bonds	\$4,775,800
City of Thousand Oaks (Assumed)	\$2,657,404
Sponsor Loan	\$2,732,542
Existing Reserves	\$116,688
Income from Operations	\$404,749
Deferred Developer Fee	\$656,623
General Partner Equity	\$100
Tax Credit Equity	\$4,972,303
TOTAL	\$16,316,209

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,866,499
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,074,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,026,449
Qualified Basis (Acquisition):	\$10,074,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$165,872
Maximum Annual Federal Credit, Acquisition:	\$332,442
Total Maximum Annual Federal Credit:	\$498,314
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,818,326
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99783

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:	\$13,940,499
Actual Eligible Basis:	\$13,940,499
Unadjusted Threshold Basis Limit:	\$24,258,080
Total Adjusted Threshold Basis Limit:	\$33,961,312

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 3.30% 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

The applicant has requested and has been granted a waiver to reduce the 10% mobility features accessibility requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5%.

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.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Thousand Oaks, 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
\$498,314	\$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: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program off-site within 1/4 mile for a minimum of 10 hours per week