

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 18, 2016

Manzanita Place Apartments, located at 1019 Madden Lane in Roseville, requested and is being recommended for a reservation of \$476,539 in annual federal tax credits to finance the acquisition and rehabilitation of 62 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Volunteers of America Services is located in Senate District 4 and Assembly District 6.

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

Project Number CA-16-858

Project Name Manzanita Place Apartments
Site Address: 1019 Madden Lane
Roseville CA, 95661 County: Placer
Census Tract: 207.130

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$476,539	\$0
Recommended:	\$476,539	\$0

Applicant Information

Applicant: Manzanita VOA Affordable Housing, L.P.
Contact: MJ Gravel
Address: 1660 Duke Street
Alexandria, VA 22314
Phone: 213-251-7697 Fax: 213-385-7599
Email: mgravel@voa.org

General Partner(s) or Principal Owner(s): Manzanita VOA Affordable Housing, LLC
General Partner Type: Nonprofit
Parent Company(ies): Volunteers of America National Services
Developer: Volunteers of America National Services
Investor/Consultant: National Affordable Housing Trust
Management Agent: VOA Northern California & Nevada

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 63
 No. & % of Tax Credit Units: 62 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (62 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 7
 Number of Units @ or below 60% of area median income: 55

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: June 1, 2016
 Credit Enhancement: No

Information

Housing Type: Seniors
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

15 SRO/Studio Units
 47 1-Bedroom Units
1 2-Bedroom Units
 63 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>
13 SRO/Studio	60%	56%	\$707
42 1 Bedroom	60%	57%	\$759
5 1 Bedroom	50%	47%	\$625
2 SRO/Studio	50%	46%	\$582
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$8,391,104
Construction Costs	\$0
Rehabilitation Costs	\$4,436,813
Construction Contingency	\$0
Relocation	\$157,500
Architectural/Engineering	\$308,307
Construction Interest, Perm Financing	\$570,552
Legal Fees, Appraisals	\$310,000
Reserves	\$281,665
Other Costs	\$454,870
Developer Fee	\$1,948,698
Commercial Costs	\$0
Total	\$16,859,509

Project Financing

Estimated Total Project Cost:	\$16,859,509
Estimated Residential Project Cost:	\$16,859,509
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$101
Per Unit Cost:	\$267,611
Effective Per Unit Cost:	\$166,159

Construction Financing

Source	Amount
Wells Fargo	\$8,500,000
Seller Carryback Loan	\$6,117,997
Replacement Reserve	\$426,104
Tax Credit Equity	\$1,815,408

Permanent Financing

Source	Amount
Wells Fargo	\$4,800,000
Seller Carryback Loan	\$6,117,997
Replacement Reserve	\$426,104
Deferred Developer Fee	\$273,481
Tax Credit Equity	\$5,241,927
TOTAL	\$16,859,509

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,769,564
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$8,170,451
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,769,564
Qualified Basis (Acquisition):	\$8,170,451
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$210,999
Maximum Annual Federal Credit, Acquisition:	\$265,540
Total Maximum Annual Federal Credit:	\$476,539
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,948,698
Investor/Consultant:	National Affordable Housing Trust
Federal Tax Credit Factor:	\$1.10000

Per Regulation Section 10322(h)(9)(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:	\$14,940,015
Actual Eligible Basis:	\$14,940,015
Unadjusted Threshold Basis Limit:	\$12,747,910
Total Adjusted Threshold Basis Limit:	\$15,424,971

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: 11%

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 3.25% 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), management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The required TCAC training for the management company has been completed and the certification of completion has been received by TCAC.

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
\$476,539

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