

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 18, 2016**

Rancho Del Valle Apartments, located at 6560 Winnetka Ave, in Woodland Hills, requested and is being recommended for a reservation of \$235,133 in annual federal tax credits to finance the acquisition and rehabilitation of 24 units of housing serving special needs tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by BlueGreen Preservation and Development and is located in Senate District 27 and Assembly District 45.

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

Project Number CA-16-875

Project Name Rancho Del Valle Apartments
Site Address: 6560 Winnetka Ave
Woodland Hills, CA 91367 County: Los Angeles
Census Tract: 1349.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$235,133	\$0
Recommended:	\$235,133	\$0

Applicant Information

Applicant: Rancho Del Valle Preservation, L.P.
Contact: Charles Cline
Address: 6560 Winnetka Ave
Woodland Hills, CA 91367
Phone: 323-816-8883 Fax: 310-986-6488
Email: charlescline@gmail.com

General Partner(s) or Principal Owner(s): Figueroa Economical Housing Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): Figueroa Economical Housing Development Corporation
Developer: BlueGreen Preservation and Development, LLC
Investor/Consultant: City Real Estate Advisors, Inc.
Management Agent: Monfric, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 25
 No. & % of Tax Credit Units: 24 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (24 units - 100%) / HUD 202
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 10
 Number of Units @ or below 60% of area median income: 14

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: August 18, 2016
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

24 1-Bedroom Units
 1 2-Bedroom Units

 25 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10 1 Bedroom	50%	19%	\$290
14 1 Bedroom	60%	19%	\$290
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,350,000
Construction Costs	\$0
Rehabilitation Costs	\$637,500
Construction Contingency	\$62,500
Relocation	\$37,500
Architectural/Engineering	\$180,000
Construction Interest, Perm Financing	\$784,435
Legal Fees, Appraisals	\$198,600
Reserves	\$167,117
Other Costs	\$260,918
Developer Fee	\$878,691
Commercial Costs	\$0
Total	\$8,557,261

Project Financing

Estimated Total Project Cost:	\$8,557,261
Estimated Residential Project Cost:	\$8,557,261
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$32
Per Unit Cost:	\$342,290
Effective Per Unit Cost:	\$315,634

Construction Financing

Source	Amount
Red Stone	\$6,000,000
HUD 202 Loan (Existing)	\$1,975,189
Seller Carryback Note	\$229,380
Tax Credit Equity	\$352,692

Permanent Financing

Source	Amount
Red Stone	\$3,433,488
HUD 202 Loan (Existing)	\$1,975,189
Seller Carryback Note	\$229,380
NOI During Rehabilitation	\$130,893
Deferred Developer Fee	\$437,031
Tax Credit Equity	\$2,351,280
TOTAL	\$8,557,261

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,016,639
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,613,800
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,621,631
Qualified Basis (Acquisition):	\$4,613,800
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$85,185
Maximum Annual Federal Credit, Acquisition:	\$149,948
Total Maximum Annual Federal Credit:	\$235,133
Approved Developer Fee (in Project Cost & Eligible Basis):	\$878,691
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.99998

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:	\$6,630,439
Actual Eligible Basis:	\$6,630,439
Unadjusted Threshold Basis Limit:	\$5,600,128
Total Adjusted Threshold Basis Limit:	\$7,896,180

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: 41%

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 meet 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), 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. The required TCAC training for the management 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	State Tax Credits/Total
\$235,133	\$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.