

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-229

Project Name Warwick Terrace
 Site Address: 14921 Stanford Avenue
 Compton, CA 90220 County: Los Angeles
 Census Tract: 5411.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,315,493	\$0
Recommended:	\$1,315,493	\$0

Applicant Information

Applicant: Warwick Partners, LP
 Contact: Courtney Allen
 Address: 1635 Rosecrans Street, Suite C
 San Diego, CA 92106
 Phone: (619) 794-2200 Fax: (619) 794-2202
 Email: court@treadstonecos.com

General partner(s) or principal owner(s): Omega Stone, LLC/Hitzke Development Corporation
 Affordable Housing Solutions
 General Partner Type: Joint Venture
 Developer: Blackbriar Development, LLC
 Investor/Consultant: City Real Estate Advisors
 Management Agent: Alpha Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 10
 Total # of Units: 108
 No. & % of Tax Credit Units: 102 96%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Contract (103 Units / 97%)
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	11	10 %
40% AMI:	31	30 %
50% AMI:	31	30 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

20 1-Bedroom Units
 52 2-Bedroom Units
 36 3-Bedroom Units

 108 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$475
6 1 Bedroom	40%	40%	\$633
6 1 Bedroom	50%	50%	\$791
5 1 Bedroom	60%	60%	\$944
4 2 Bedrooms	30%	30%	\$569
15 2 Bedrooms	40%	40%	\$758
15 2 Bedrooms	50%	50%	\$948
14 2 Bedrooms	60%	60%	\$1,138
5 3 Bedrooms	30%	30%	\$658
10 3 Bedrooms	40%	40%	\$877
10 3 Bedrooms	50%	50%	\$1,096
10 3 Bedrooms	60%	60%	\$1,315
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,133
1 1 Bedroom	Non-Tax Credit Unit	Non-Tax Credit Unit	\$933
1 2 Bedrooms	Non-Tax Credit Unit	Non-Tax Credit Unit	\$1,133
2 2 Bedrooms	Non-Tax Credit Units	Non-Tax Credit Units	\$1,305

Project Financing

Estimated Total Project Cost:	\$27,117,674
Estimated Residential Project Cost:	\$27,117,674

Residential

Construction Cost Per Square Foot:	\$67
Per Unit Cost:	\$251,090

Construction Financing

Source	Amount
Citi	\$14,205,109
Income During Rehabilitation	\$1,156,499
Deferred Costs	\$968,650
Tax Credit Equity	\$10,787,416

Permanent Financing

Source	Amount
Citi Tranche A	\$8,057,591
Citi Tranche B	\$3,780,000
Income During Rehabilitation	\$1,156,499
Deferred Developer Fee	\$968,650
Tax Credit Equity	\$13,154,934
TOTAL	\$27,117,674

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,072,080
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,776,686
Applicable Fraction:	96.23%
Qualified Basis (Rehabilitation):	\$10,367,491
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$12,110,672
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$927,952
Maximum Annual Federal Credit, Acquisition:	\$387,541
Total Maximum Annual Federal Credit:	\$1,315,493
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$1.00000

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:	\$22,848,766
Actual Eligible Basis:	\$22,848,766
Unadjusted Threshold Basis Limit:	\$24,475,876
Total Adjusted Threshold Basis Limit:	\$25,229,880

Adjustments to Basis Limit:

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Tie-Breaker Information

First:	Large Family
Second:	14.223%

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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 project has an existing HUD Section 8 project-based contract on 103 units (97%), but the project only has 102 tax credit units. There is one non-tax credit eligible tenant/unit receiving a Section 8 subsidy. The tenant/unit is eligible for the Section 8 subsidy, but does not qualify under the tax credit program.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, the Los Angeles County Community Development Commission, 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
\$1,315,493	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	20	11	11
Credit Reduction	20	9	2
Public Funds	20	7	7
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Large Family proj. w/i ¼ mile of a public elementary school and ½ mile of public school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.