

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2013 Second Round
September 25, 2013

Project Number CA-13-179

Project Name Azusa Apartments
 Site Address: 805 S. Cerritos Avenue
 Azusa, CA 91702 County: Los Angeles
 Census Tract: 4043.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,229,562	\$0
Recommended:	\$1,229,562	\$0

Applicant Information

Applicant: Woodcroft Street Housing Associates, L.P.
 Contact: Anne B. Wilson
 Address: 4305 University Avenue, #550
 San Diego, CA 92105
 Phone: 619-450-8709 Fax: 619-282-4145
 Email: awilson@chworks.org

General Partner(s) or Principal Owner(s): Big Dalton Wash LLC
 General Partner Type: Nonprofit
 Parent Company: Community HousingWorks
 Developer: Community HousingWorks
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent(s): SK Management Company, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 15
 Total # of Units: 88
 No. & % of Tax Credit Units: 87 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Contract (81 Units / 92%) /
 NeighborWorks America
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 9 10 %
 40% AMI: 18 20 %
 50% AMI: 35 40 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

8 1-Bedroom Units
 30 2-Bedroom Units
 42 3-Bedroom Units
 8 4-Bedroom Units

 88 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	40%	40%	\$621
3 1 Bedroom	50%	50%	\$776
3 1 Bedroom	60%	60%	\$932
3 2 Bedrooms	30%	30%	\$559
6 2 Bedrooms	40%	40%	\$746
12 2 Bedrooms	50%	50%	\$932
9 2 Bedrooms	60%	60%	\$1,119
5 3 Bedrooms	30%	30%	\$646
9 3 Bedrooms	40%	40%	\$861
17 3 Bedrooms	50%	50%	\$1,076
10 3 Bedrooms	60%	60%	\$1,292
1 4 Bedrooms	30%	30%	\$720
1 4 Bedrooms	40%	40%	\$961
3 4 Bedrooms	50%	50%	\$1,201
3 4 Bedrooms	60%	60%	\$1,441
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$30,228,793
 Estimated Residential Project Cost: \$30,228,793

Residential

Construction Cost Per Square Foot: \$67
 Per Unit Cost: \$343,509

Construction Financing

<u>Source</u>	<u>Amount</u>
Red Capital Markets - FHA 221(d)(4)	\$16,362,800
NeighborWorks America	\$1,500,000
Income from Operations	\$1,160,685
Costs Deferred Until Completion	\$1,134,291
General Partner Equity	\$100
Tax Credit Equity	\$10,070,917

Permanent Financing

<u>Source</u>	<u>Amount</u>
Red Capital Markets - FHA 221(d)(4)	\$16,362,800
NeighborWorks America	\$1,500,000
Income from Operations	\$1,160,685
General Partner Equity	\$100
Tax Credit Equity	\$11,205,208
TOTAL	\$30,228,793

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,083,473
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,212,354
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,808,515
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$5,212,354
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$1,062,766
Maximum Annual Federal Credit, Acquisition:	\$166,795
Total Maximum Annual Federal Credit:	\$1,229,561
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.91132

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:	\$14,295,827
Actual Eligible Basis:	\$23,196,456
Unadjusted Threshold Basis Limit:	\$22,151,680
Total Adjusted Threshold Basis Limit:	\$26,582,016

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Tie-Breaker Information

First:	At-Risk
Second:	43.054%

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 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 a HUD Section 8 project-based contract on 81 of the 87 affordable units (92%).

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 City of Azusa, 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
\$1,229,562	\$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
Public Funds	20	20	20
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 ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ¼ mile of a public school that project children may attend	3	3	3
Service Amenities	10	10	10
AT-RISK HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 36 hrs/yr instruction	3	3	3
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): 25%	7	7	7
Additional rehab measures: PV generation that offsets either 50% of	3	3	3
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.