

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

December 11, 2013

REVISED

Project Number CA-13-901

Project Name Willows Senior Apartments
Site Address: 1324-1330 W. Sycamore Street
Willows, CA 95988 County: Glenn
Census Tract: 104.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$330,013	\$0
Recommended:	\$330,013	\$0

Applicant Information

Applicant: Willows Pacific Associates, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Ste. 100
Eagle, ID 83616
Phone: 208-461-0022 Fax: 208-461-3267
Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings V, LLC
Quality Housing Development Corporation
West Coast Real Estate Ventures, LLC
General Partner Type: Joint Venture
Parent Company(ies): The Pacific Companies Inc.
Quality Housing Development Corporation
American Real Estate Ventures, Inc.
Developer: Pacific West Communities, Inc.
Investor/Consultant: Boston Capital
Management Agent: Buckingham Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 49
No. & % of Tax Credit Units: 48 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 48

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: March 11, 2014
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Daniel Tran

Unit Mix

39 1-Bedroom Units
 10 2-Bedroom Units

 49 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>
39 1 Bedroom	45%	45%	\$484
9 2 Bedrooms	45%	45%	\$580
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$8,802,808
 Estimated Residential Project Cost: \$8,802,808

Residential

Construction Cost Per Square Foot: \$114
 Per Unit Cost: \$179,649

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank, N.A.	\$4,750,000	Wells Fargo Bank, N.A.	\$325,000
City of Willows, HOME Loan	\$2,500,000	City of Willows, HOME Loan	\$4,500,000
City of Willows, HOME Deferred Interest	\$60,000	City of Willows, HOME Deferred Interest	\$60,000
Deferred Costs	\$177,121	Deferred Developer Fee	\$750,000
Deferred Developer Fee	\$1,034,739	Tax Credit Equity	\$3,167,808
Tax Credit Equity	\$280,948	TOTAL	\$8,802,808

Determination of Credit Amount(s)

Requested Eligible Basis: \$7,933,000
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$10,312,900
 Applicable Rate: 3.20%
 Total Maximum Annual Federal Credit: \$330,013
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,034,739
 Investor/Consultant: Boston Capital
 Federal Tax Credit Factor: \$0.95990

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:	\$7,933,000
Actual Eligible Basis:	\$7,933,000
Unadjusted Threshold Basis Limit:	\$10,125,583
Total Adjusted Threshold Basis Limit:	\$24,356,071

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
Local Development Impact Fees
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: 100%

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 3.20% 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: None

Local Reviewing Agency:

The Local Reviewing Agency, City of Willows, 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
\$330,013	\$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