

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2013

Project Number CA-13-903

Project Name Sierra Villa East
 Site Address: 621 East Avenue I
 Lancaster, CA 93535 County: Los Angeles
 Census Tract: 9006.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$404,569	\$0
Recommended:	\$404,569	\$0

Applicant Information

Applicant: Reliant - San Gabriel, LP
 Contact: Robert Lawler
 Address: 275 Battery Street, Suite 500
 San Francisco, CA 94111
 Phone: (415) 501-9603 Fax: (415) 788-0435
 Email: rlawler@reliantgroup.com

General Partner(s) or Principal Owner(s):	Rainbow Housing Assistance Corporation
General Partner Type:	Nonprofit
Parent Company(ies):	Rainbow Housing Assistance Corporation
Developer:	Gung Ho Partners, LLC
Investor/Consultant:	City of Real Estate Advisors, LLC
Management Agent:	FPI Management Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 13
 Total # of Units: 91
 No. & % of Tax Credit Units: 90 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (100% / 90 units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 19
 Number of Units @ or below 60% of area median income: 71

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 18, 2013
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

75	2-Bedroom Units
8	3-Bedroom Units
8	4-Bedroom Units
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91	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>
60 2 Bedrooms	60%	48%	\$888
6 3 Bedrooms	60%	59%	\$1,264
5 4 Bedrooms	60%	56%	\$1,338
15 2 Bedrooms	50%	48%	\$888
2 3 Bedrooms	50%	50%	\$1,076
2 4 Bedrooms	50%	50%	\$1,201
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$1,230

Project Financing

Estimated Total Project Cost:	\$13,939,559
Estimated Residential Project Cost:	\$13,939,559

Residential

Construction Cost Per Square Foot:	\$38
Per Unit Cost:	\$153,182

Construction Financing

<u>Source</u>	<u>Amount</u>
Citigroup Global Markets Inc.	\$7,890,000
Reliant CAP VII, LLC/Series B Sub Bond	\$1,200,000
Net Cash Flow from Operations	\$348,122
Tax Credit Equity	\$2,512,611

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citigroup Global Markets Inc.	\$7,890,000
Reliant CAP VII, LLC/Series B Sub Bond	\$1,200,000
Net Cash Flow from Operations	\$348,122
Deferred Developer Fee	\$621,617
Tax Credit Equity	\$3,879,819
TOTAL	\$13,939,558

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,262,525
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,102,770
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,541,282
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$7,102,770
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$177,281
Maximum Annual Federal Credit, Acquisition:	\$227,288
Total Maximum Annual Federal Credit:	\$404,569
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,482,430
Investor/Consultant:	City of Real Estate Advisors, LLC
Federal Tax Credit Factor:	\$0.95900

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:	\$11,365,295
Actual Eligible Basis:	\$11,365,295
Unadjusted Threshold Basis Limit:	\$23,891,384
Total Adjusted Threshold Basis Limit:	\$28,908,575

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: 21%

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 3.20% 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: This project currently has an annual renewal HUD Section 8 project based contract covering 100% of the tax credit units. The applicant has applied for a 20-year renewal contract with HUD.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Lancaster, 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
\$404,569

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: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.