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

Project Number CA-13-907

Project Name Fernwood Senior Apartments
Site Address: 45151 Fern Avenue
Lancaster, CA 93534 County: Los Angeles
Census Tract: 9008.060

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$278,711	$0
Recommended:	$278,711	$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 Real Estate Advisors, Inc.
Management Agent: FPI Management Inc.

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 76
No. & % of Tax Credit Units: 75 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (100% / 75 Units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 15
Number of Units @ or below 60% of area median income: 60

Bond Information

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

Information

Housing Type:	Senior
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Jack Waegell

Unit Mix

75	1-Bedroom Units
1	2-Bedroom Units
76	Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
60	1 Bedroom	60%	49%	$758
15	1 Bedroom	50%	49%	$758
1	2 Bedrooms	Manager's Unit	Manager's Unit	$1,083

Project Financing	
Estimated Total Project Cost:	$10,051,943
Estimated Residential Project Cost:	$10,051,943

Residential	
Construction Cost Per Square Foot:	$39
Per Unit Cost:	$132,262

Construction Financing

Source	Amount
Citigroup - Tax Exempt Bonds	$4,570,000
Reliant CAP VII, LLC/Series B Sub Bond	$1,250,000
Net Cash Flow from Operations	$559,514
Tax Credit Equity	$2,304,481

Permanent Financing

Source	Amount
Citigroup - Tax Exempt Bonds	$4,570,000
Reliant CAP VII, LLC/Series B Sub Bond	$1,250,000
Net Cash Flow from Operations	$559,514
Deferred Developer Fee	$999,590
Tax Credit Equity	$2,672,839
TOTAL	**$10,051,943**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$2,515,479
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$5,440,469
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,270,123
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	$5,440,469
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$104,617
Maximum Annual Federal Credit, Acquisition:	$174,094
Total Maximum Annual Federal Credit:	$278,711
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,037,732
Investor/Consultant:	City Real Estate Advisors, Inc.
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:	$7,955,948
Actual Eligible Basis:	$7,955,948
Unadjusted Threshold Basis Limit:	$15,616,875
Total Adjusted Threshold Basis Limit:	$18,740,250

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: 20%

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 are not more than 15% below the minimum operating expenses established in the Regulations as allowed under regulation section 10327(g)(1), and the project pro forma shows a positive cash flow from year one. See the Special Issues section of this report. 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: The project's estimated operating expenses are 10% below the TCAC minimum of $4,400 per unit per year for a project of this type as allowed under regulation section 10327(g)(1) where the permanent lender and investor have agreed to the lower operating expenses.

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	State Tax Credits/Total
$278,711	$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.