

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 29, 2014

Project Number CA-14-802

Project Name Regency Court Apartments
 Site Address: 720 Fifth Avenue Court
 Monrovia, CA 91016 County: Los Angeles
 Census Tract: 4309.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$414,808	\$0
Recommended:	\$414,808	\$0

Applicant Information

Applicant: Monrovia 612, L.P.
 Contact: Geoffrey C. Brown
 Address: 3200 Douglas Blvd., Suite 200
 Roseville, CA 95661
 Phone: (916) 724-3836 Fax: (916) 773-5866
 Email: gbrown@usapropfund.com

General Partner(s) or Principal Owner(s): USA Monrovia 612, Inc.
 Riverside Charitable Corporation
 General Partner Type: Joint Venture
 Parent Company(ies): USA Properties Fund, Inc.
 Riverside Charitable Corporation
 Developer: USA Multifamily Housing, Inc.
 Investor/Consultant: WNC & Associates, Inc.
 Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 20
 Total # of Units: 115
 No. & % of Tax Credit Units: 114 100.00%
 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: 57
 Number of Units @ or below 60% of area median income: 57

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: January 30, 2014
 Credit Enhancement: CalHFA under risk share agreement with HUD

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Mayra Lozano

Unit Mix

107 1-Bedroom Units
8 2-Bedroom Units
 115 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>
23 1 Bedroom	50%	39%	\$611
34 1 Bedroom	50%	40%	\$624
38 1 Bedroom	60%	48%	\$746
12 1 Bedroom	60%	60%	\$932
6 2 Bedrooms	60%	47%	\$879
1 2 Bedrooms	60%	60%	\$1,119
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,125

Project Financing

Estimated Total Project Cost: \$12,779,026
 Estimated Residential Project Cost: \$12,779,026

Residential

Construction Cost Per Square Foot: \$48
 Per Unit Cost: \$111,122

Construction Financing

Source	Amount
CalHFA	\$6,700,000
County of Los Angeles HOME	\$894,636
CalHFA Soft Loan	\$670,000
Seller Carryback Note	\$750,000
Construction Period Income	\$610,857
Deferred Developer Fee	\$1,514,074
Tax Credit Equity	\$1,639,459

Permanent Financing

Source	Amount
CalHFA	\$5,530,000
County of Los Angeles HOME	\$894,636
CalHFA Soft Loan	\$670,000
Seller Carryback Note	\$750,000
Construction Period Income	\$610,857
Deferred Developer Fee	\$382,857
Tax Credit Equity	\$3,940,676
TOTAL	\$12,779,026

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,516,182
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,091,719
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,871,037
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$7,091,719
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$187,873
Maximum Annual Federal Credit, Acquisition:	\$226,935
Total Maximum Annual Federal Credit:	\$414,808
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,514,074
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.95000

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:	\$11,607,901
Actual Eligible Basis:	\$11,607,901
Unadjusted Threshold Basis Limit:	\$23,905,003
Total Adjusted Threshold Basis Limit:	\$35,857,505

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: 50%

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 below the minimum operating expenses established in the Regulations (see Special Issues/Other Significant Information), 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 is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Regency Court (CA-93-902).

Annual operating expenses are below the minimum established in Regulation as allowed per section 10327(g). The applicant provided approval from the lender and investor as required per regulation.

The applicant was granted a waiver to meet the minimum construction standards for landscaping established in regulation section 10325(f)(7)(C). The Capital Needs Assessment demonstrates replacement of the landscaping is unnecessary at this time.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$414,808	\$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.