CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

Miracle Terrace Apartments, located at 225 S. Western Avenue in Anaheim, requested and is being recommended for a reservation of $1,667,579 in annual federal tax credits to finance the acquisition and rehabilitation of 178 units of housing serving seniors with rents affordable to households earning 35-60% of area median income (AMI). The project will be co-developed by Community Preservation Partners, LLC and Jamboree Housing Corporation and is located in Senate District 29 and Assembly District 65.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-16-986

Project Name Miracle Terrace Apartments
Site Address: 225 S. Western Avenue
Anaheim, CA 92804 County: Orange
Census Tract: 869.010

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,667,579	$0
Recommended:	$1,667,579	$0

Applicant Information
Applicant: Miracle Terrace Community Partners, LP
Contact: Seth Gellis
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: 949.236.8280 Fax: 714.662.4412
Email: sgellis@cpp-housing.com

General Partner(s) or Principal Owner(s): JHC- Miracle Terrace, LLC
WNC Miracle Terrace-GP, LLC
General Partner Type: Joint Venture
Parent Company(ies): Jamboree Housing Corporation
WNC Development Partners, LLC
Developers: Community Preservation Partners, LLC
Jamboree Housing Corporation
Investor/Consultant: WNC & Associates
Management Agent: FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	179
No. & % of Tax Credit Units:	178 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (see "**Special Issues/Other Significant Information**" section)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 35% of area median income:	40
Number of Units @ or below 50% of area median income:	8
Number of Units @ or below 60% of area median income:	130

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	January 9, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Seniors
Geographic Area:	Orange County
TCAC Project Analyst:	Jack Waegell

Unit Mix

71	SRO/Studio Units
107	1-Bedroom Units
1	2-Bedroom Units
179	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
63	SRO/Studio	60%	60%	$1,023
67	1 Bedroom	60%	60%	$1,096
8	SRO/Studio	50%	50%	$853
40	1 Bedroom	35%	35%	$640
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$2,193

Project Cost Summary at Application

Land and Acquisition	$37,375,000
Construction Costs	$0
Rehabilitation Costs	$6,557,578
Construction Contingency	$655,758
Relocation	$134,250
Architectural/Engineering	$132,000
Const. Interest, Perm. Financing	$3,523,639
Legal Fees, Appraisals	$157,500
Reserves	$558,000
Other Costs	$466,646
Developer Fee	$3,500,000
Commercial Costs	$0
Total	**$53,060,371**

Project Financing

Estimated Total Project Cost:	$53,060,371
Estimated Residential Project Cost:	$53,060,371
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$63
Per Unit Cost:	$296,427
True Cash Per Unit Cost*:	$257,142

Construction Financing

Source	Amount
Citibank, N.A.	$38,000,000
Seller Note	$5,000,000
Deferred Developer Fee	$3,500,000
Tax Credit Equity	$6,560,371

Permanent Financing

Source	Amount
Citibank, NA	$23,847,000
Seller Note	$5,000,000
Cash Flow from Operations	$3,337,776
Deferred Developer Fee	$2,031,952
Tax Credit Equity	$18,843,643
TOTAL	**$53,060,371**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,457,400
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$36,415,533
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,894,619
Qualified Basis (Acquisition):	$36,415,533
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$484,074
Maximum Annual Federal Credit, Acquisition:	$1,183,505
Total Maximum Annual Federal Credit:	$1,667,579
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,500,000
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$1.13000

Per Regulation Section 10322(h)(9)(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:	$47,872,933
Actual Eligible Basis:	$47,872,933
Unadjusted Threshold Basis Limit:	$30,627,564
Total Adjusted Threshold Basis Limit:	$48,391,551

Adjustments to Basis Limit

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: 4%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 44%

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 3.25% 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 apartment project is an expired HUD 236 financed property which is no longer encumbered by any HUD restrictions. The Anaheim Housing Authority agreed to provide a five-year project-based voucher contract, expiring in October 2019, for 124 units to the current owner (seller) to maintain these units as affordable units for low-income tenants. This tax credit reservation will allow the City and the applicant (buyer) to preserve this project as affordable housing. Once the existing project-based voucher contract expires in 2019, the Anaheim Housing Authority plans on replacing it with a new 20-year project-based voucher contract for up to 40 units. The other 84 units at that point will receive tenant protection vouchers.

This 179 unit project has 1 on-site manager's unit. In lieu of a second on-site manager's unit, the project's Community Director lives on site and is available as needed after hours. During operating hours there is a full-time assistant manager, a part-time leasing agent/compliance person, a full-time maintenance supervisor, and a full-time maintenance technician on-site. In addition to the project's Community Director living on site, both maintenance personnel are available on-call after hours.

This project's annual per unit operating expense total is below the TCAC published per unit operating expense minimums of $4,200. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $3,961 in agreement with the permanent lender and equity investor.

Local Reviewing Agency
The Local Reviewing Agency, the City of Anaheim, 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
$1,667,579	**$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.