

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2014 Second Round

September 24, 2014

Project Number CA-14-146

Project Name Jackson Manor Apartments & Lassen View Apartments
Site Address: 755 & 855 Luther Road
Red Bluff, CA 96080 County: Tehama
Census Tract: 7.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$706,615	\$0
Recommended:	\$706,615	\$0

Applicant Information

Applicant: Jackson Lassen Community Partners, LP
Contact: Anand Kannan
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: 714-662-5565 Fax: 714-662-6834
Email: akannan@wncinc.com

General Partner(s)/Principal Owner(s): Jackson Lassen Partners, LLC
The Beneficial Housing Foundation
General Partner Type: Joint Venture
Parent Company(ies): Community Preservation Partners, LLC
The Beneficial Housing Foundation
Developer: Community Preservation Partners, LLC
Investor/Consultant: WNC & Associates
Management Agent(s): MBS Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 11
Total # of Units: 89
No. & % of Tax Credit Units: 87 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: USDA RHS 515 / RHS 521 (83 Units - 95%) / RHS 538
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 10 10 %
50% AMI (Rural): 32 35 %
55% AMI (Rural): 36 40 %

Information

Set-Aside: Rural
 Housing Type: At-Risk
 Geographic Area: N/A
 TCAC Project Analyst: DC Navarrette

Unit Mix

88 1-Bedroom Units
 1 2-Bedroom Units

 89 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	30%	\$307
5 1 Bedroom	30%	30%	\$307
16 1 Bedroom	50%	50%	\$513
16 1 Bedroom	50%	50%	\$513
18 1 Bedroom	55%	55%	\$564
18 1 Bedroom	55%	55%	\$564
4 1 Bedroom	60%	59%	\$603
5 1 Bedroom	60%	60%	\$612
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$10,262,916
 Estimated Residential Project Cost: \$10,262,916

Residential

Construction Cost Per Square Foot: \$72
 Per Unit Cost: \$115,314

Construction Financing

<u>Source</u>	<u>Amount</u>
Rabobank	\$6,150,000
USDA RHS 515	\$1,120,182
Existing Reserves	\$277,869
Deferred Developer Fee	\$807,196
Tax Credit Equity	\$1,907,669

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bellweather Enterprises - Tranche B	\$2,425,000
USDA RHS 515	\$1,120,182
Existing Reserves	\$277,869
Deferred Developer Fee	\$80,331
Tax Credit Equity	\$6,359,534
TOTAL	\$10,262,916

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,208,163
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,535,050
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,070,612
Applicable Rate:	7.70%
Qualified Basis (Acquisition):	\$2,535,050
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$621,437
Maximum Annual Federal Credit, Acquisition:	\$85,178
Total Maximum Annual Federal Credit:	\$706,615
Approved Developer Fee in Project Cost:	\$1,219,768
Approved Developer Fee in Eligible Basis:	\$946,430
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.90000

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:	\$8,743,214
Actual Eligible Basis:	\$9,078,214
Unadjusted Threshold Basis Limit:	\$17,275,152
Total Adjusted Threshold Basis Limit:	\$17,275,152

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	At-Risk
Second:	25.055%

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" section), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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 annual per unit operating expenses, in the amount of \$3,800, is below the TCAC published minimum of \$4,300. Upon agreement of the equity investor and the permanent lender, the proposed annual per unit operating expense amount of \$3,800 may be utilized for underwriting as allowed by TCAC Regulations Section 10327(g)(1).

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Red Bluff, 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
\$706,615	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	4	4	4
Public Funds	16	16	16
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr	7	7	7
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.