

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-809

Project Name St. Timothy's Tower and St. Timothy's Manor
 Site Address: 425 and 415 South Oleander Ave.
 Compton, CA 90220 County: Los Angeles
 Census Tract: 5425.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$744,670	\$0
Recommended:	\$744,670	\$0

Applicant Information

Applicant: St. Timothy's Preservation LP
 Contact: Ron Chatman
 Address: 425 South Oleander Avenue
 Compton, CA 90220
 Phone: 323-979-0863 Fax: 310-638-9948
 Email: rchat@mail.com

General Partner(s) or Principal Owner(s): St. Timothy's Tower and Manor, Inc.
 General Partner Type: Nonprofit
 Parent Company(ies): St. Timothy's Tower and Manor, Inc.
 Developer: St. Timothy's Tower and Manor, Inc.
 Investor/Consultant: WNC
 Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 135
 No. & % of Tax Credit Units: 133 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (133 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 55
 Number of Units @ or below 60% of area median income: 78

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: August 20, 2015
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

109 SRO/Studio Units
26 1-Bedroom Units
 135 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
37 SRO/Studio	50%	20%	\$290
7 SRO/Studio	50%	20%	\$290
54 SRO/Studio	60%	20%	\$290
10 SRO/Studio	60%	20%	\$290
9 1 Bedroom	50%	19%	\$290
2 1 Bedroom	50%	19%	\$290
12 1 Bedroom	60%	19%	\$290
2 1 Bedroom	60%	19%	\$290
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$11,793,087
Construction Costs	\$0
Rehabilitation Costs	\$3,961,873
Construction Contingency	\$396,187
Relocation	\$162,000
Architectural/Engineering	\$385,000
Construction Interest, Perm Financing	\$1,217,405
Legal Fees, Appraisals	\$134,000
Reserves	\$671,516
Other Costs	\$807,297
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$22,028,365

Project Financing

Estimated Total Project Cost:	\$22,028,365
Estimated Residential Project Cost:	\$22,028,365

Residential

Construction Cost Per Square Foot:	\$67
Per Unit Cost:	\$163,173

Construction Financing

Source	Amount
BBCN Bank	\$16,000,000
Seller Carryback Loan	\$2,750,000
Deferred Developer Fee	\$1,500,000
Tax Credit Equity	\$1,778,365

Permanent Financing

Source	Amount
BBCN Bank	\$9,403,000
Seller Carryback Loan	\$2,750,000
Construction Period Income	\$487,316
Existing Reserves	\$318,087
Deferred Developer Fee	\$1,698,470
Tax Credit Equity	\$7,371,492
TOTAL	\$22,028,365

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,559,027
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$12,739,040
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,826,735
Qualified Basis (Acquisition):	\$12,739,040
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$324,282
Maximum Annual Federal Credit, Acquisition:	\$420,388
Total Maximum Annual Federal Credit:	\$744,670
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$0.98990

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:	\$20,298,067
Actual Eligible Basis:	\$20,298,067
Unadjusted Threshold Basis Limit:	\$28,058,913
Total Adjusted Threshold Basis Limit	\$42,368,958

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: 41%

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 3.30% 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: Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The required TCAC training for the general partner must be completed and the certification of completion must be received by TCAC prior to the project's placing in service.

The owner is paying for all the utilities at the project.

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
\$744,670	\$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