

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 First Round
June 10, 2015

Project Number CA-15-078

Project Name Sagewood Manor Apartments
 Site Address: 6215 Ocotillo Avenue
 Twentynine Palms, CA 92277 County: San Bernardino
 Census Tract: 104.210

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$506,771	\$0
Recommended:	\$506,771	\$0

Applicant Information

Applicant: SWM GP LLC
 Contact: Paul Patierno
 Address: 250 West Colorado Boulevard, Suite 210
 Arcadia, CA 91007
 Phone: (626) 698-6357 Fax: (626) 294-9270
 Email: p.patierno@highlandcompanies.com

General Partner(s) / Principal Owner(s): SWM GP LLC
 National Housing Corporation
 General Partner Type: Joint Venture
 Parent Company(ies): Impact Development Group, LLC &
 Toffer Mann Investments LCC
 National Housing Corporation
 Developer: SWM GP LLC
 Investor/Consultant: Boston Financial Investment Management
 Management Agent(s): Hyder & Company

Project Information

Construction Type: Rehabilitation-Only
 Total # Residential Buildings: 16
 Total # of Units: 65
 No. & % of Tax Credit Units: 64 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 521 Project-based Contract (62 Units - 97%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 45% AMI: 16 25 %
 50% AMI (Rural): 26 40 %

Information

Set-Aside: Rural
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Jack Waegell

Unit Mix

60 1-Bedroom Units
 5 2-Bedroom Units

 65 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>
6 1 Bedroom	30%	30%	\$341
15 1 Bedroom	45%	45%	\$512
24 1 Bedroom	50%	50%	\$569
2 1 Bedroom	60%	57%	\$648
13 1 Bedroom	60%	57%	\$648
1 2 Bedrooms	30%	30%	\$410
1 2 Bedrooms	45%	45%	\$615
2 2 Bedrooms	50%	50%	\$683
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,554,744
Construction Costs	\$0
Rehabilitation Costs	\$3,607,930
Construction Contingency	\$312,104
Relocation	\$0
Architectural/Engineering	\$160,000
Construction Interest, Perm Financing	\$131,100
Legal Fees, Appraisals	\$165,000
Reserves	\$99,700
Other Costs	\$137,821
Developer Fee	\$661,205
Commercial Costs	\$0
Total	\$7,829,604

Project Financing

Estimated Total Project Cost:	\$7,829,604
Estimated Residential Project Cost:	\$7,829,604

Residential

Construction Cost Per Square Foot:	\$75
Per Unit Cost:	\$120,455

Construction Financing

Source	Amount
JP Morgan Chase	\$2,250,000
USDA RHS 515 (Assumed/Recast)	\$2,554,744
Tax Credit Equity	\$2,344,455

Permanent Financing

Source	Amount
Bonneville - Tranche A Loan	\$523,993
Bonneville - Tranche B Loan	\$176,007
USDA RHS 515 (Assumed/Recast)	\$2,554,744
Deferred Developer Fee	\$13,871
Tax Credit Equity	\$4,560,989
TOTAL	\$7,829,604

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,069,239
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,590,011
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$506,711
Approved Developer Fee (in Project Cost & Eligible Basis):	\$661,205
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.90001

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:	\$5,069,239
Actual Eligible Basis:	\$5,069,239
Unadjusted Threshold Basis Limit:	\$12,393,160
Total Adjusted Threshold Basis Limit:	\$12,393,160

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Seniors
Second:	55.076%

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 7.69% 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 resyndication of an existing low-income housing tax credit (LIHTC) project, CA-91-128.

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 Twentynine Palms, has completed a site review of this project and 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
\$506,771	\$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
Public Funds	20	20	20
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 ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
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.