

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

**Project Number** CA-15-080

**Project Name** Cherrywood Senior Apartments  
 Site Address: 979 Cherry Avenue  
 Beaumont, CA 92223 County: Riverside  
 Census Tract: 439.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$299,709	\$0
Recommended:	\$299,709	\$0

**Applicant Information**

Applicant: CWM 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): CWM GP LLC  
 National Housing Corporation  
 General Partner Type: Joint Venture  
 Parent Company(ies): Highland Companies  
 National Housing Corporation  
 Developer: CWM GP LLC  
 Investor/Consultant: Boston Financial Investment Management  
 Management Agent(s): Hyder & Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 2  
 Total # of Units: 30  
 No. & % of Tax Credit Units: 29 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: USDA RHS 515 & Rental Subsidy (29 Units - 100%)  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 3 10 %  
 45% AMI: 8 25 %  
 50% AMI (Rural): 12 40 %

**Information**

Set-Aside: At-Risk  
Housing Type: At-Risk  
Geographic Area: Inland Empire Region  
TCAC Project Analyst: DC Navarrette

**Unit Mix**

30 1-Bedroom Units  
30 Total Units

<u>Unit Type &amp; 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>
3 1 Bedroom	30%	30%	\$341
8 1 Bedroom	45%	45%	\$512
12 1 Bedroom	50%	50%	\$569
6 1 Bedroom	60%	60%	\$683
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,250,000
Construction Costs	\$0
Rehabilitation Costs	\$1,915,137
Construction Contingency	\$165,669
Relocation	\$0
Architectural/Engineering	\$70,000
Construction Interest, Perm Financing	\$94,250
Legal Fees, Appraisals	\$90,000
Reserves	\$50,700
Other Costs	\$72,089
Developer Fee	\$492,690
Commercial Costs	\$0
<b>Total</b>	<b>\$4,200,535</b>

**Project Financing**

Estimated Total Project Cost:	\$4,200,535
Estimated Residential Project Cost:	\$4,200,535

**Residential**

Construction Cost Per Square Foot:	\$101
Per Unit Cost:	\$140,018

**Construction Financing**

Source	Amount
JP Morgan Chase	\$2,000,000
USDA RHS 515	\$405,432
Operating Income	\$8,000
Tax Credit Equity	\$1,322,463

**Permanent Financing**

Source	Amount
Bonneville USDA RHS 538 Tranche A	\$551,367
Bonneville USDA RSH 538 Tranche B	\$323,633
USDA RHS 515	\$405,432
Operating Income	\$8,000
Deferred Developer Fee	\$5,217
Tax Credit Equity	\$2,906,886
<b>TOTAL</b>	<b>\$4,200,535</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,661,796
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,018,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,460,335
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$1,018,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$266,098
Maximum Annual Federal Credit, Acquisition:	\$33,611
Total Maximum Annual Federal Credit:	\$299,709
Approved Developer Fee in Project Cost:	\$492,690
Approved Developer Fee in Eligible Basis:	\$395,690
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.96990

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:	\$3,680,296
Actual Eligible Basis:	\$3,680,296
Unadjusted Threshold Basis Limit:	\$5,371,920
Total Adjusted Threshold Basis Limit:	\$5,371,920

**Adjustments to Basis Limit:** None.

**Tie-Breaker Information**

First: **At-Risk**  
Second: **25.824%**

**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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 is an At-Risk project with an existing USDA RHS 515 loan and existing USDA rental subsidy, which will be assumed as part of the rehabilitation.

The applicant submitted this At-Risk project under the Rural set aside. However, TCAC determined that the area of the project was not Rural as defined in TCAC Regulation Section 10315(c) and therefore not eligible to compete in the Rural set aside. As a result, this project was considered under the At-Risk set aside and the project was not eligible for some of the point options requested under the Site Amenity point category (see the point table on page 6).

**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 Beaumont, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$299,709</b>	<b>\$0</b>

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Cost Efficiency	20	3	3
Public Funds	20	17	17
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>6</b>
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Rural project within 1/2 mile of a public park or community center	3	3	0
Within 1 mile of a public park or community center	2	0	2
Rural project within 1 mile of a public library	2	2	0
Rural project within 1 mile of a neighborhood market of at least 5,000 sf	3	3	0
Rural project within 1 mile of a daily operated senior center/facility	2	2	0
Rural project within 1.5 miles of a medical clinic or hospital	2	2	0
Rural project within 1 mile of a pharmacy	1	1	0
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>139</b>

**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.**