

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 15, 2015**

Project Number CA-15-856

Project Name Duarte Manor Apartments
Site Address: 1235 North Highland Avenue
Duarte, CA 91010 County: Los Angeles
Census Tract: 4301.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$357,180	\$0
Recommended:	\$357,180	\$0

Applicant Information

Applicant: Preservation Duarte Manor II, LP
Contact: James Perley
Address: 1235 North Highland Avenue
Duarte, CA 91010
Phone: 310-374-4381 Fax: 310-374-7298
Email: jimp@westamprop.com

General Partner(s) or Principal Owner(s): Better Housing Foundation
Duarte Western America, LLC
General Partner Type: Joint Venture
Parent Company(ies): Better Housing Foundation
James Perley & Perley Discretionary Trust
Developer: Preservation Western America Development, LLC
Investor/Consultant: AEGON USA Realty Advisors
Management Agent: Western America Properties

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 5
Total # of Units: 42
No. & % of Tax Credit Units: 41 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (41 units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 5
Number of Units @ or below 60% of area median income: 36

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: August 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: At-Risk
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

26 2-Bedroom Units
 16 3-Bedroom Units

 42 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 2 Bedrooms	50%	50%	\$933
23 2 Bedrooms	60%	60%	\$1,120
2 3 Bedrooms	50%	50%	\$1,079
13 3 Bedrooms	60%	60%	\$1,295
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,865

Project Cost Summary at Application

Land and Acquisition	\$6,500,000
Construction Costs	\$0
Rehabilitation Costs	\$2,440,039
Construction Contingency	\$0
Relocation	\$101,300
Architectural/Engineering	\$149,669
Construction Interest, Perm Financing	\$716,917
Legal Fees, Appraisals	\$137,800
Reserves	\$302,000
Other Costs	\$202,421
Developer Fee	\$1,274,748
Commercial Costs	\$0
Total	\$11,824,894

Project Financing

Estimated Total Project Cost:	\$11,824,894
Estimated Residential Project Cost:	\$11,824,894

Residential

Construction Cost Per Square Foot:	\$57
Per Unit Cost:	\$281,545

Construction Financing

Source	Amount
Citibank	\$9,100,000
Income During Rehabilitation	\$376,660
Deferred Developer Fee	\$957,017
Tax Credit Equity	\$1,391,216

Permanent Financing

Source	Amount
Citibank	\$7,950,000
Income During Rehabilitation	\$423,295
Deferred Developer Fee	\$58,389
Tax Credit Equity	\$3,393,210
TOTAL	\$11,824,894

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,505,566
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,267,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,557,235
Qualified Basis (Acquisition):	\$6,267,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$150,352
Maximum Annual Federal Credit, Acquisition:	\$206,828
Total Maximum Annual Federal Credit:	\$357,180
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,274,564
Investor/Consultant:	AEGON USA Realty Advisors
Federal Tax Credit Factor:	\$0.95000

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:	\$9,773,066
Actual Eligible Basis:	\$9,773,066
Unadjusted Threshold Basis Limit:	\$13,051,584
Total Adjusted Threshold Basis Limit:	\$14,617,774

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 12%

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: The project has an existing HUD Section 8 contract for the 41 affordable units (100%).

The Duarte Manor Apartments project shall meet the requirements of TCAC Regulation Section 10325(f)(7)(K) where the project shall adhere to the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use. Tax credits shall be viewed as invoking those requirements as applicable, including a minimum of ten percent (10%) of the units with mobility features, and four percent (4%) with communications features. These units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout the project consistent with 24 CFR Section 8.26.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Duarte Community Development Department, 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
\$357,180	\$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: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.