

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2013

Project Number CA-13-876

Project Name Arbor Terrace Apartments
 Site Address: 2170 - 2190 N. Rancho Ave.
 Colton, CA 92324 County: San Bernardino
 Census Tract: 66.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$727,186	\$0
Recommended:	\$727,186	\$0

Applicant Information

Applicant: Arbor Terrace Community Partners, LP
 Contact: Seth Gellis
 Address: 17782 Sky Park Circle
 Irvine, CA 92614
 Phone: 949-236-8280 Fax: 714-662-4412
 Email: sgelis@wncinc.com

General Partner(s) or Principal Owner(s): JHC - Arbor Terrace, LLC
 WNC - Arbor Terrace G/P, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Jamboree Housing Corporation
 WNC Development Partners
 Developer: WNC Community Preservation Partners
 Investor/Consultant: WNC & Associates
 Management Agent: Professional Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 25
 Total # of Units: 129
 No. & % of Tax Credit Units: 127 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-Based Contract (100% - 129 Units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 28
 Number of Units @ or below 60% of area median income: 99

Bond Information

Issuer: California Statewide Community Development Authority
 Expected Date of Issuance: November 15, 2013
 Credit Enhancement: N/A

Information

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

Unit Mix

16 1-Bedroom Units
 70 2-Bedroom Units
 43 3-Bedroom Units

 129 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	60%	60%	\$716
54 2 Bedrooms	60%	60%	\$861
32 3 Bedrooms	60%	60%	\$993
3 1 Bedroom	50%	50%	\$597
14 2 Bedrooms	50%	50%	\$717
11 3 Bedrooms	50%	50%	\$828
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$22,809,542
 Estimated Residential Project Cost: \$22,809,542

Residential

Construction Cost Per Square Foot: \$33
 Per Unit Cost: \$176,818

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$14,000,000
Net Operating Income	\$965,272
Developer Equity	\$1,969,336
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$3,374,934

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$13,025,000
Net Operating Income	\$965,272
Deferred Developer Fee	\$1,911,003
Tax Credit Equity	\$6,908,267
TOTAL	\$22,809,542

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,436,058
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,057,675
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,666,875
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$13,057,675
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$309,340
Maximum Annual Federal Credit, Acquisition:	\$417,846
Total Maximum Annual Federal Credit:	\$727,186
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	WNC & Associates
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:	\$20,493,733
Actual Eligible Basis:	\$20,493,733
Unadjusted Threshold Basis Limit:	\$31,643,952
Total Adjusted Threshold Basis Limit:	\$38,605,621

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: 22%

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 3.20% 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: None.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Colton Economic Development Division, 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
\$727,186	\$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.