

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 20, 2014

Project Number CA-14-870

Project Name Little Zion Manor
 Site Address: 2000 Jubilee Court
 San Bernardino, CA 92411 County: San Beranrdino
 Census Tract: 42.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$650,588	\$0
Recommended:	\$650,588	\$0

Applicant Information

Applicant: New Zion Manor Limited Partnership
 Contact: Derek M. Skrzynski
 Address: 20250 Harper Ave.
 Detroit, MI 48225
 Phone: (424) 322-8407 Fax: (313) 884-0722
 Email: derek@acdmil.com

General Partner(s) or Principal Owner(s): AOF New Zion LLC
 American Community Developers, Inc.
 General Partner Type: Joint Venture
 Parent Company(ies): The American Opportunity Foundation, Inc.
 American Community Developers, Inc.
 Developer: ACD Partners XVIII L.L.C.
 Investor/Consultant: City Real Estate Advisors
 Management Agent: Independent Management Services

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 31
 Total # of Units: 125
 No. & % of Tax Credit Units: 123 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project Based Section 8 Contract (123 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 37
 Number of Units @ or below 60% of area median income: 86

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 15, 2014
 Credit Enhancement: HUD 223(f) - PNC Real Estate

Information

Housing Type: Non-Targeted
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

30 1-Bedroom Units
 63 2-Bedroom Units
 32 3-Bedroom Units

 125 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>
26 1 Bedroom	50%	50%	\$569
4 1 Bedroom	60%	60%	\$683
7 2 Bedrooms	50%	50%	\$683
55 2 Bedrooms	60%	60%	\$820
4 3 Bedrooms	50%	50%	\$789
27 3 Bedrooms	60%	60%	\$947
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$23,076,661
 Estimated Residential Project Cost: \$23,076,661

Residential

Construction Cost Per Square Foot: \$38
 Per Unit Cost: \$184,613

Construction Financing

<u>Source</u>	<u>Amount</u>
Citigroup - Tax Exempt Bonds	\$10,900,000
PNC Bank - HUD 223(f)	\$4,000,000
Cash from Operations	\$760,000
GP Loan	\$3,310,977
Deferred Costs	\$2,512,063
Tax Credit Equity	\$1,593,621

Permanent Financing

<u>Source</u>	<u>Amount</u>
PNC Bank - HUD 223(f)	\$14,900,000
Cash from Operations	\$760,000
Deferred Developer Fee	\$1,042,178
Tax Credit Equity	\$6,374,483
TOTAL	\$23,076,661

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,612,910
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,365,943
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,996,783
Qualified Basis (Acquisition):	\$13,365,943
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$201,492
Maximum Annual Federal Credit, Acquisition:	\$449,096
Total Maximum Annual Federal Credit:	\$650,588
Approved Developer Fee in Project Cost:	\$2,377,676
Approved Developer Fee in Eligible Basis:	\$2,345,068
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$0.97980

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:	\$17,978,853
Actual Eligible Basis:	\$17,978,853
Unadjusted Threshold Basis Limit:	\$29,579,356
Total Adjusted Threshold Basis Limit:	\$38,453,163

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: 30%

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 3.36% 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 owner has agreed that TCAC Compliance management and staff will provide training for property management company Independent Management Services to ensure compliance with IRC Section 42 requirements per TCAC Regulation Section 10325(g)(5). On-site staff of Independent Management Services must attend the TCAC training session(s) prior to the property being placed in service. Coordination of these sessions is currently in progress.

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
\$650,588	\$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.