

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 27, 2009

Project Number CA-2009-815

Project Name San Sevaine Villas
Address: 13247 Foothill Boulevard
Rancho Cucamonga, CA 91739 County: San Bernardino

Applicant Information

Applicant: Northtown Housing Development Corporation
Contact Paul Hernandez
Address: 8599 Haven Avenue, Suite 250
Rancho Cucamonga, CA 91739
Phone: (909) 980-0465 **Fax:** (909) 481-7555
Email: p.hernandez@northtownhousing.com
Sponsors Type: Nonprofit

Information

Housing Type: Large Family

Bond Information

Issuer: CA Communities
Expected Date of Issuance: June 3, 2009
Credit Enhancement: \$30,000,000

Eligible Basis

Actual: \$47,304,625
Requested: \$47,304,625
Maximum Permitted: \$58,586,900

Extra Feature Adjustments:

Exceed Title 24 Standards by at Least 35%: 4%
Local Development Impact Fees: \$5,286,567

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,611,903	\$0
Recommended:	\$1,611,903	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 225
Total # Residential Buildings: 15

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 74% - 167 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 50% of area median income: 111
 Number of Units @ or below 60% of area median income: 56

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 One-Bedroom	35%	\$365
8 One-Bedroom	45%	\$489
6 One-Bedroom	60%	\$675
22 Two-Bedroom	35%	\$402
43 Two-Bedroom	45%	\$542
33 Two-Bedroom	60%	\$751
11 Three-Bedroom	35%	\$436
23 Three-Bedroom	45%	\$591
17 Three-Bedroom	60%	\$823
6 One-Bedroom	60%	\$923
33 Two-Bedroom	Market Rate	\$1,030
17 Three-Bedroom	Market Rate	\$1,133
2 Two-Bedroom	Manager Units	\$0

The general partner or principal owner is San Sevaine Villas, LP.

The project developer is Northtown Housing Development Corporation.

The management services will be provided by John Stewart Company.

The market analysis was provided by Market Insights Consulting.

The Local Reviewing Agency, the City of Rancho Cucamonga, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$57,567,124 Per Unit Cost: \$255,854 Construction Cost Per Sq. Foot: \$134

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank Of America – Tax Exempt	\$30,000,000	CA Community Reinvestment Corp	\$5,981,951
Rancho Cucamonga RDA	\$26,103,164	Rancho Cucamonga RDA	\$39,497,094
Investor Equity	\$200,000	Investor Equity	\$12,088,079
		TOTAL	\$57,567,124

Determination of Credit Amount(s)

Requested Eligible Basis:	\$47,304,625
130% High Cost Adjustment:	Yes
Applicable Fraction:	74,89%
Qualified Basis:	\$46,054,364
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,611,903
Approved Developer Fee:	\$2,456,500
Tax Credit Factor: <i>Enterprise Capital</i>	\$.75

Applicant requests and staff recommends annual federal credits of \$1,611,903 based on a qualified basis of \$46,054,364 and a funding shortfall of \$12,088,079.

Cost Analysis and Line Item Review

The requested eligible basis \$46,054,364 CTAC's adjusted threshold basis limit \$58,586,900. The basis limit includes the adjustment for extraordinary features for local development impact fees and exceeding Title 24 by at least 35%. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$1,611,903	\$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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 provide the tenants with after school programs and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: David Navarrette