

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 8, 2009**

**Project Number** CA-2009-823

**Project Name** Citrus Grove of Rialto II (aka Vista Cascade)  
**Address:** 422, 432, 442, 452, 482 West Cascade Drive  
1423, 1451, 1461, 1471 North Vista Avenue  
1497 North Lilac Avenue  
Rialto, CA 92367 County: San Bernardino

**Applicant Information**

**Applicant:** Citrus Grove Housing Partners, L.P.  
**Contact** Richard Whittingham  
**Address:** 9065 Haven Avenue, Suite 100  
Rancho Cucamonga, CA 91730  
**Phone:** (909) 483-2444 Fax: (909) 291-0302  
**Email:** rwhittingham@nationalcore.org  
**Sponsors Type:** Nonprofit

**Information**

**Housing Type:** Large Family

**Bond Information**

**Issuer:** CSCDA  
**Expected Date of Issuance:** Michael Chin  
**Credit Enhancement:** N/A

**Eligible Basis**

**Actual:** \$5,278,042  
**Requested:** \$5,278,042  
**Maximum Permitted:** \$18,347,812

**Extra Feature Adjustments:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 100%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$210,125	\$0
Recommended:	\$210,125	\$0

**Project Information**

**Construction Type:** Acquisition Rehabilitation  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**Total # of Units:** 42  
**Total # Residential Buildings:** 10

**Income/Rent Targeting**

Federal Setaside Elected: 20%/50%  
 % & No. of Targeted Units: 100% - 41 units  
 55-Year Use/Affordability Restriction: Yes  
 Number of Units @ or below 50% of area median income: 41  
 Number of Units @ or below 60% of area median income: 0

<u>Unit Type &amp; Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
37 Two-Bedroom	50%	\$748
4 Three-Bedroom	50%	\$865

The general partner or principal owner is the Southern California Housing Development Corporation of the Inland Empire.

The project developer is National CORE.

The management services will be provided by National CORE.

The market analysis was provided by Novogradac & Company.

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.

**Project Financing**

Estimated Total Project Cost: \$12,591,189 Per Unit Cost: \$299,790 Construction Cost Per Sq. Foot: \$87

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank – Tax-Exempt Bonds	\$7,200,000	CCRC	\$1,443,000
City of Rialto RDA	\$4,644,893	City of Rialto RDA	\$8,626,713
Hudson Housing Capital	\$384,200	AHP	\$250,000
		TCAP Equity	\$590,476
		Investor Equity	\$1,681,000
		<b>TOTAL</b>	<b>\$12,591,189</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$5,278,042
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$6,861,455
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$210,125
Approved Developer Fee:	\$632,000
Tax Credit Factor: <i>Hudson Housing Capital</i>	\$.80

Applicant requests and staff recommends annual federal credits of \$210,125 based on a qualified basis of \$6,861,455 and a funding shortfall of \$1,681,000.

**Cost Analysis and Line Item Review**

The requested eligible basis \$5,278,042 is below TCAC's adjusted threshold basis limit \$18,347,812. The basis limit includes the adjustment for extraordinary features for the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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:** The syndicator letter indicates a tax credit factor of \$.70 while the budget indicates a factor of \$.80 showing the increase for TCAP funding. The project does not have these funds committed at this point and must compete for them in the future.

**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
<b>\$210,125</b>	<b>\$0</b>

#### **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