

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number CA-2011-876

Project Name Hemlock Family Apartments
Site Address: Hemlock Ave. & Perris Blvd
Moreno Valley, CA 92557 County: Riverside
Census Tract: 424.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$611,421	\$0
Recommended:	\$611,421	\$0

Applicant Information

Applicant: MV Hemlock, L.P.
Contact: James Jernigan
Address: 5051 Canyon Crest Drive, Suite 104
Riverside, CA 92507
Phone: 951-686-6600 Fax: 951-784-9701
Email: jjernigan@ranchobelagodevelopers.com

General partner(s) or principal owner(s): Rancho Belago Developers, Inc.
Housing Corporation of America (HCA)
General Partner Type: Joint Venture
Developer: RBD Partners, LLC
Investor: Boston Capital
Management Agent: AWI Management Corp.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 15
Total # of Units: 78
No. & % of Tax Credit Units: 77 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt/HOME
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 25
Number of Units @ or below 60% of area median income: 52

Bond Information

Issuer: CSCDA
Expected Date of Issuance: 09/15/11
Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

53 2-Bedroom Units
 25 3-Bedroom Units

 78 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 2 Bedrooms	50%	50%	\$731
39 2 Bedrooms	60%	60%	\$877
11 3 Bedrooms	50%	50%	\$845
13 3 Bedrooms	60%	60%	\$1,014
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$16,939,674
 Estimated Residential Project Cost: \$16,939,674

Residential

Construction Cost Per Square Foot: \$87
 Per Unit Cost: \$217,175

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo	\$9,510,497
City of Moreno Valley	\$5,300,000
Deferred Costs	\$1,097,376
Tax Credit Equity	\$1,031,801

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC	\$4,012,475
City of Moreno Valley RDA	\$6,500,000
City of Moreno Valley HOME	\$1,000,000
Deferred Developer Fee	\$77,756
Tax Credit Equity	\$5,349,443
TOTAL	\$16,939,674

Determination of Credit Amount(s)

Requested Eligible Basis: \$13,833,176
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$17,983,129
 Applicable Rate: 3.40%
 Maximum Annual Federal Credit: \$611,421
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,804,327
 Investor: Boston Capital
 Federal Tax Credit Factor: \$0.87492

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:	\$13,833,176
Actual Eligible Basis:	\$13,833,176
Unadjusted Threshold Basis Limit:	\$19,040,000
Total Adjusted Threshold Basis Limit:	\$25,132,800

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: 32%

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 3.40% 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 Moreno Valley, 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
\$611,421	\$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 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 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 provide the tenants with educational classes and contract with a bona fide service coordinator free of charge 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.

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 placed-in-service application is submitted:

- A) A new construction or adaptive reuse project application that exceeds Title 24 energy standards by at least 10%
- B) Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less)
- C) At least 1 high efficiency toilet (1.3 gallons per flush) or dual-flush toilet per unit)
- D) Paint with no volatile organic compounds (5 grams per liter or less)