

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

August 17, 2016

Mountain View Apartments, located at 68680 Dinah Shore Drive in Cathedral City, requested and is being recommended for a reservation of \$1,310,189 in annual federal tax credits to finance the acquisition and rehabilitation of 276 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 28 and Assembly District 56.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-16-916

Project Name Mountain View Apartments
Site Address: 68680 Dinah Shore Drive
Cathedral City, CA 92234 County: Riverside
Census Tract: 449.150

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,310,189	\$0
Recommended:	\$1,310,189	\$0

Applicant Information

Applicant: Mountain View Community Partners, LP
Contact: Anand Kannan
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: 714-662-5565
Email: akannan@cpp-housing.com

General Partner(s) or Principal Owner(s): WNC - Mountain View GP, LLC
The Beneficial Housing Foundation
General Partner Type: Joint Venture
Parent Company(ies): Community Preservation Partners, LLC
The Beneficial Housing Foundation
Developer: Community Preservation Partners, LLC
Investor/Consultant: WNC & Associates
Management Agent: MBS Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 70
 Total # of Units: 280
 No. & % of Tax Credit Units: 276 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / USDA RHS 515 /
 USDA RHS 521 Rental Assistance (276 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 83
 Number of Units @ or below 60% of area median income: 193

Bond Information

Issuer: California Public Finance Authority
 Expected Date of Issuance: September 1, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

280 1-Bedroom Units
 280 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
193 1 Bedroom	60%	60%	\$720
83 1 Bedroom	50%	50%	\$600
4 1 Bedroom	Manager's Unit	Manager's Unit	\$800

Project Cost Summary at Application

Land and Acquisition	\$20,400,000
Construction Costs	\$0
Rehabilitation Costs	\$11,426,800
Construction Contingency	\$1,142,680
Relocation	\$150,000
Architectural/Engineering	\$175,000
Const. Interest, Perm. Financing	\$1,851,188
Legal Fees, Appraisals	\$206,500
Reserves	\$880,000
Other Costs	\$330,848
Developer Fee	\$4,700,002
Commercial Costs	\$0
Total	\$41,263,018

Project Financing

Estimated Total Project Cost:	\$41,263,018
Estimated Residential Project Cost:	\$41,263,018
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$63
Per Unit Cost:	\$147,368
True Cash Per Unit Cost*:	\$145,623

Construction Financing

Source	Amount
Rabobank	\$21,590,000
USDA RHS 515	\$8,549,144
NOI/Capitalized Interest	\$466,366
Replacement Reserves	\$2,100,000
Deferred Developer Fee	\$1,642,986
Tax Credit Equity	\$6,914,522

Permanent Financing

Source	Amount
Bonneville USDA RHS 538	\$15,830,000
USDA RHS 515	\$8,549,144
NOI/Capitalized Interest	\$466,366
Replacement Reserves	\$2,100,000
Deferred Developer Fee	\$488,463
Tax Credit Equity	\$13,829,045
TOTAL	\$41,263,018

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,655,851
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$19,377,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,652,606
Qualified Basis (Acquisition):	\$19,377,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$680,420
Maximum Annual Federal Credit, Acquisition:	\$629,769
Total Maximum Annual Federal Credit:	\$1,310,189
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,700,002
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$1.05550

Per Regulation Section 10322(h)(9)(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:	\$36,033,351
Actual Eligible Basis:	\$36,033,351
Unadjusted Threshold Basis Limit:	\$52,923,360
Total Adjusted Threshold Basis Limit:	\$68,800,368

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 3.25% 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 Cathedral City, 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
\$1,310,189	\$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.