

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 26, 2010

Project Number CA-2010-809

Project Name Lakeview I
Site Address: 32209 Riverside Drive
Lake Elsinore, CA 92530 County: Riverside
Census Tract: 430.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$264,782	\$0
Recommended:	\$264,782	\$0

Applicant Information

Applicant: LMV I Affordable, L.P.
Contact: Sean Burrowes
Address: 8105 Irvine Center Drive, Suite 830
Irvine, CA 92618
Phone: 949-753-0555 Fax: 949-753-7590
Email: sborrowes@bentall.com

General partner(s) or principal owner(s): LMV I AGP, L.P.
AHCDC Lake Meadow, LP
General Partner Type: Joint Venture
Developer: Bentall Residential, L.P.
Investor/Consultant: Union Bank, N.A.
Management Agent: CBR Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 11
Total # of Units: 88
No. & % of Tax Credit Units: 87 100%
Federal Set-Aside Elected: 40% / 60%
Federal Subsidy: Tax Exempt / RSH 514/515 (78% - 68 Units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 19
Number of Units @ or below 60% of area median income: 68

Information

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

Bond Information

Issuer: CalHFA
Expected Date of Issuance: 7/15/2010
Credit Enhancement: Freddie Mac

Unit Mix

0	SRO/Studio Units
48	1-Bedroom Units
32	2-Bedroom Units
8	3-Bedroom Units
0	4-Bedroom Units
<u>88</u>	<u>Total Units</u>

<u>Unit Type & Number</u>		<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10	1-Bedroom	50%	50%	\$624
7	2-Bedroom	50%	50%	\$748
2	3-Bedroom	50%	50%	\$865
38	1-Bedroom	60%	60%	\$749
24	2-Bedroom	60%	52%	\$780
6	3-Bedroom	60%	55%	\$948
1	2-Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$9,170,923	Construction Cost Per Square Foot:	\$35
		Per Unit Cost:	\$104,215

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CalHFA/FMAC Tax-Exempt Bonds	\$5,098,496	CalHFA/FMAC Tax-Exempt Bonds	\$5,098,496
USDA Section 515 Loan	\$1,134,000	USDA Section 515 Loan	\$1,134,000
Reserve Transfer	\$312,869	Reserve Transfer	\$312,869
Deferred Developer Fee	\$692,652	Deferred Developer Fee	\$692,652
Tax Credit Equity	\$1,546,325	Tax Credit Equity	\$1,932,906
		TOTAL	\$9,170,923

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,387,948
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,383,362
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,404,332
Qualified Basis (Acquisition):	\$3,383,362
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$149,748
Maximum Annual Federal Credit, Acquisition:	\$115,034
Total Maximum Annual Federal Credit:	\$264,782
Approved Developer Fee (in Project Cost):	\$884,962
Approved Developer Fee (in Eligible Basis):	\$871,562
Investor /Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.73000

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	\$6,771,310
Actual Eligible Basis:	\$6,771,310
Unadjusted Threshold Basis Limit:	\$18,375,168
Total Adjusted Threshold Basis Limi	\$22,233,953

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: 21%

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. 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.

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
\$264,782	\$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 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: 1. Flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or at least on high efficiency toilet (1.3 gallons per flush) or dual flush toilets per unit 2. Material for all