

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

**Project Number** CA-2010-810

**Project Name** Lakeview II  
 Site Address: 32211 Riverside Drive  
 Lake Elsinore, CA 92530 County: Riverside  
 Census Tract: 430.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$221,100	\$0
Recommended:	\$221,100	\$0

**Applicant Information**

Applicant: LMV II 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](mailto:sborrowes@bentall.com)

General partner(s) or principal owner(s): LMV II 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: 9  
 Total # of Units: 64  
 No. & % of Tax Credit Units: 63 100%  
 Federal Set-Aside Elected: 40% / 60%  
 Federal Subsidy: Tax Exempt / HUD Section 8 (100% - 63 Units)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 15  
 Number of Units @ or below 60% of area median income: 48

**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
16	1-Bedroom Units
32	2-Bedroom Units
16	3-Bedroom Units
0	4-Bedroom Units
<u>64</u>	Total Units

<u>Unit Type &amp; 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>
4	1-Bedroom	50%	50%	\$624
7	2-Bedroom	50%	50%	\$748
4	3-Bedroom	50%	50%	\$865
12	1-Bedroom	60%	60%	\$749
24	2-Bedroom	60%	55%	\$814
12	3-Bedroom	60%	58%	\$1,007
1	2-Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost:	\$6,873,151	Construction Cost Per Square Foot:	\$31
		Per Unit Cost:	\$107,393

<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 A	\$3,791,850	CalHFA/FMAC Tax-Exempt Bonds A	\$3,791,850
CalHFA/FMAC Tax-Exempt Bonds B	\$862,000	CalHFA/FMAC Tax-Exempt Bonds B	\$862,000
Purchase Reserves	\$42,542	Cash Flow	\$111,319
Deferred Developer Fee	\$451,411	Reserve Transfer	\$42,542
Tax Credit Equity	\$1,291,223	Deferred Developer Fee	\$451,411
		Tax Credit Equity	\$1,614,029
		<b>TOTAL</b>	<b>\$6,873,151</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,651,991
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,055,366
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,447,588
Qualified Basis (Acquisition):	\$3,055,366
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$117,218
Maximum Annual Federal Credit, Acquisition:	\$103,882
Total Maximum Annual Federal Credit:	\$221,100
Approved Developer Fee (in Project Cost):	\$744,698
Approved Developer Fee (in Eligible Basis):	\$742,699
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	\$5,707,357
Actual Eligible Basis:	\$5,707,357
Unadjusted Threshold Basis Limit:	\$14,726,656
Total Adjusted Threshold Basis Limi	\$18,113,787

**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: 23%

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$221,100</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 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