

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 27, 2010

Project Number CA-2010-842

Project Name Westview Terrace
Site Address: 287 West Westward Avenue
Banning, CA 92220 County: Riverside
Census Tract: 443.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$447,325	\$0
Recommended:	\$447,325	\$0

Applicant Information

Applicant: Banning Leased Housing Associates I, Limited Partnership
Contact: Jeff Huggett
Address: 2905 Northwest Blvd, Suite 150
Plymouth, MN 55441
Phone: (763) 354-5605 Fax (763) 249-8757
Email: jhuggett@dominiuminc.com

General partner(s) or principal owner(s): Banning Leased Housing Associates I, LLC
Central Valley Coalition for Affordable Housing
General Partner Type: Joint Venture
Developer: Banning Leased Housing Development I, LLC
Investor/Consultant: Alliant Capital
Management Agent: Dominionium Management Services, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 75
No. & % of Tax Credit Units: 74 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: Tax Exempt/HUD Section 8 (75 Units - 100%)
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 30% of area median income: 43
Number of Units @ or below 60% of area median income: 31

Information

Housing Type: At-Risk
Geographic Area: Inland Empire Region
TCAC Project Analyst: Nicola Hil

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: 12/9/2010
 Credit Enhancement: Freddie Mac Bond Credit Enhancement (AAA Rated)

Unit Mix

18 1-Bedroom Units
 29 2-Bedroom Units
 20 3-Bedroom Units
 8 4-Bedroom Units

 75 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 1 Bedroom	60%	60%	\$731
9 2 Bedrooms	60%	60%	\$877
4 3 Bedrooms	60%	60%	\$1,014
4 4 Bedrooms	60%	60%	\$1,131
4 1 Bedroom	30%	30%	\$365
20 2 Bedrooms	30%	30%	\$438
15 3 Bedrooms	30%	30%	\$507
4 4 Bedrooms	30%	30%	\$565
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,218

Project Financing

Estimated Total Project Cost: \$14,079,394 Construction Cost Per Square Foot: \$48
 Per Unit Cost: \$187,725

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Prudential	\$6,650,000	Prudential	\$6,650,000
Dougherty Funding	\$3,881,946	HCD - MHP	\$2,833,000
City of Banning	\$500,000	City of Banning	\$500,000
Operating Income	\$100,103	Operating Income	\$100,103
Seller Reserves	\$144,390	Seller Reserves	\$144,390
Tax Credit Equity	\$673,063	Deferred Developer Fee	\$486,584
		Tax Credit Equity	\$3,365,317
		TOTAL	\$14,079,394

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,299,892
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,266,764
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,889,860
Qualified Basis (Acquisition):	\$6,266,764
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$234,255
Maximum Annual Federal Credit, Acquisition:	\$213,070
Total Maximum Annual Federal Credit:	\$447,325
Approved Developer Fee in Project Cost and Eligible Basis	\$1,508,694
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$0.75232

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:	\$11,566,656
Actual Eligible Basis:	\$11,566,656
Unadjusted Threshold Basis Limit:	\$18,128,320
Total Adjusted Threshold Basis Limit:	\$42,782,835

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 116%

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 meet/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
\$447,325	\$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 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:

The applicant selected three sustainable building electives:

1) At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill or landscape amendments (30%).

2) a) flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or b) at least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit.

3) For rehabilitation projects not subject to Title 24 requirements, use of fluorescent light fixtures for at least 75% of light fixtures or comparable energy saving lighting for the project's total lighting (including community rooms and any common space) throughout the compliance period.