

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2012

Project Number CA-2012-811

Project Name Villa Mirage
 Site Address: 34160 Rebecca Way
 Rancho Mirage, CA 92270 County: Riverside
 Census Tract: 449.160

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$425,736	\$0
Recommended:	\$425,736	\$0

Applicant Information

Applicant: Hampstead Villa Mirage Partners, L.P.
 Contact: Jeff Jallo
 Address: 3413 30th Street
 San Diego, CA 92104
 Phone: 619-543-4210 Fax: 619-543-4220
 Email: jeff@hampstead.com

General partner(s) or principal owner(s): Affordable Housing Solutions
 Hampstead Villa Mirage, LLC
 General Partner Type: Joint Venture
 Developer: The Hampstead Group, Inc.
 Investor: Boston Financial Investment Management
 Management Agent: U.S Residential Group LLC

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 22
 Total # of Units: 98
 No. & % of Tax Credit Units: 97 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project Based Section 8 (97 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 10
 Number of Units @ or below 60% of area median income: 87

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: March 21, 2012
 Credit Enhancement: N/A

Information

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

Unit Mix

69 2-Bedroom Units
 29 3-Bedroom Units

 98 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 2 Bedrooms	50%	50%	\$751
2 2 Bedrooms	60%	60%	\$901
7 2 Bedrooms	50%	50%	\$751
58 2 Bedrooms	60%	60%	\$901
2 3 Bedrooms	50%	50%	\$867
27 3 Bedrooms	60%	60%	\$1,040
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$820

Project Financing

Estimated Total Project Cost: \$14,418,364
 Estimated Residential Project Cost: \$14,418,364

Residential

Construction Cost Per Square Foot: \$35
 Per Unit Cost: \$147,126

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$10,100,000
Cal HFA	\$521,423
Construction Period Income	\$893,829
Replacement Reserves	\$163,000
Deferred Developer Fee	\$706,112
Tax Credit Equity	\$2,034,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$8,651,030
Cal HFA	\$521,423
Construction Period Income	\$893,829
Replacement Reserves	\$163,000
Deferred Developer Fee	\$144,590
Tax Credit Equity	\$4,044,492
TOTAL	\$14,418,364

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,344,949
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,355,815
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,948,434
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$6,355,815
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$222,350
Maximum Annual Federal Credit, Acquisition:	\$203,386
Total Maximum Annual Federal Credit:	\$425,736
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,543,350
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.95000

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:	\$11,700,765
Actual Eligible Basis:	\$11,700,765
Unadjusted Threshold Basis Limit:	\$23,601,088
Total Adjusted Threshold Basis Limit:	\$25,978,176

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: 10%

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 3.20% 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 Rancho Mirage, 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
\$425,736	\$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: None