

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 14, 2012

Project Number CA-12-891

Project Name Marygold Apartments
 Site Address: 17215 Marygold Avenue
 Fontana, CA 92335 County: San Bernardino
 Census Tract: 33.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$562,059	\$0
Recommended:	\$562,059	\$0

Applicant Information

Applicant: Marygold, LP
 Contact: Johnathan Hawke
 Address: 2090 North Tustin Avenue, Suite 250-B
 Santa Ana, CA 92705
 Phone: (714) 547-7721 Fax: (714) 547-0751
 Email: jhawke@icaff.org

General partner(s) or principal owner(s): IAHI-Marygold, LLC
 General Partner Type: Nonprofit
 Developer: Intercontinental Affordable Housing, Inc.
 Investor/Consultant: Hudson Housing Capital, LLC
 Management Agent: Genessy Management & Development LLC

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 13
 Total # of Units: 80
 No. & % of Tax Credit Units: 80 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-Based Section 8 Contract (80 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 40
 Number of Units @ or below 60% of area median income: 39

Bond Information

Issuer: CA Statewide Communities Development Authority
 Expected Date of Issuance: June 18, 2012
 Credit Enhancement: Freddie Mac

Information

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

Unit Mix

16 1-Bedroom Units
 46 2-Bedroom Units
 18 3-Bedroom Units

 80 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>
8 1 Bedroom	50%	50%	\$628
23 2 Bedrooms	50%	50%	\$753
9 3 Bedrooms	50%	50%	\$871
7 1 Bedroom	60%	60%	\$753
23 2 Bedrooms	60%	60%	\$904
9 3 Bedrooms	60%	60%	\$1,045
1 1 Bedroom*	Manager's Unit	Manager's Unit	\$592

* The manager's unit has a 60% AMI tax-credit tenant as the on-site manager.

Project Financing

Estimated Total Project Cost: \$18,087,446
 Estimated Residential Project Cost: \$18,087,446

Residential

Construction Cost Per Square Foot: \$37
 Per Unit Cost: \$226,093

Construction Financing

<u>Source</u>	<u>Amount</u>
Merchant Capital	\$11,000,000
Seller Note	\$4,500,000
Deferred Developer Fee	\$1,231,053
Tax Credit Equity	\$1,348,943

Permanent Financing

<u>Source</u>	<u>Amount</u>
Merchant Capital	\$11,000,000
Seller Note	\$1,000,000
Deferred Developer Fee	\$691,680
Tax Credit Equity	\$5,395,766
TOTAL	\$18,087,446

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,603,935
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,430,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,285,116
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$10,430,500
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$228,283
Maximum Annual Federal Credit, Acquisition:	\$333,776
Total Maximum Annual Federal Credit:	\$562,059
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,091,448
Investor/Consultant:	Hudson Housing Capital, LLC
Federal Tax Credit Factor:	\$0.96000

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:	\$16,034,435
Actual Eligible Basis:	\$16,034,435
Unadjusted Threshold Basis Limit:	\$17,645,984
Total Adjusted Threshold Basis Limit:	\$26,468,976

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: 50%

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 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
\$562,059	\$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: 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 TCAC placed-in-service application is submitted:

- The project is a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 30% as calculated using a methodology approved by the California Energy Commission.
- The Project will include Photovoltaic Generation that offsets either 50 percent (50%) of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use, then the project shall have onsite renewable generation based on at least 90 percent (90%) of the available solar accessible roof area).