

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 20, 2019**

Imperial VI is located at the addresses below in the Cities of Seeley, Holtville, Brawley, and Calexico. The project has requested and is being recommended for a reservation of \$751,467 in annual federal tax credits to finance the acquisition and rehabilitation of 250 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 40 and Assembly District 56.

Citrus Pointe II, Calexico Senior, and Imperial Gardens sites of Imperial VI are resyndications of existing Low Income Housing Tax Credit (LIHTC) projects: Citrus Pointe II Apartments (formerly known as Imperial Valley II Apartments) (CA-88-018), Calexico Senior Apartments (CA-92-002), and Imperial Gardens (CA-97-213) respectively. See **Resyndication and Resyndication Transfer Event** below for additional information.

The project will be receiving rental assistance in the form of USDA RD Section 521 Rental Assistance.

<b>Project Number</b>	CA-19-438	
<b>Project Name</b>	Imperial VI	
Site Address:	<b><u>Seeley Valley</u></b> 1713 El Centro Street Seeley, CA 92273	<b><u>Chestnut Village</u></b> 1225 East 7th Street Holtville, CA 92250
Census Tract:	111.00	109.00
Site Address:	<b><u>Citrus Pointe I</u></b> 672 North 3rd Street Brawley, CA 92227	<b><u>Citrus Pointe II</u></b> 694 North 3rd Street Brawley, CA 92227
Census Tract:	105.00	105.00
Site Address:	<b><u>Calexico Senior</u></b> 1630 Rockwood Avenue Calexico, CA 92231	<b><u>Imperial Gardens</u></b> 1639 Rockwood Avenue Calexico, CA 92231
Census Tract:	121.00	121.00
County:	Imperial	

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$751,467	\$0
Recommended:	\$751,467	\$0

**Applicant Information**

Applicant: Imperial VI, LP  
 Contact: Ronald D. Bettencourt  
 Address: 531 Mill Road  
 Auburn, CA 95603  
 Phone: 805.439.0328  
 Email: whitecapcoastal@sbcglobal.net

General Partner(s) or Principal Owner(s): Bettencourt Properties, Inc.  
 The Beneficial Housing Foundation  
 General Partner Type: Joint Venture  
 Parent Company(ies): Bettencourt Properties, Inc.  
 The Beneficial Housing Foundation  
 Developer: Community Preservation Partners, LLC  
 Investor/Consultant: WNC & Associates, Inc.  
 Management Agent: AWI Management Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 43  
 Total # of Units: 256  
 No. / % of Low Income Units: 250 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / USDA RD 521 Rental Assistance (210 units - 84%) /  
 USDA RD Section 515 Loan (assumed)

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: April 30, 2019

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Inland Empire Region  
 TCAC Project Analyst: Diane SooHoo

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
50% AMI: 41	16%
60% AMI: 209	84%

**Unit Mix**

87 1-Bedroom Units
117 2-Bedroom Units
50 3-Bedroom Units
2 4-Bedroom Units
<b>256 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
<b><u>Seeley Valley</u></b>			
1 1 Bedroom	50%	50%	\$560
2 2 Bedrooms	50%	50%	\$672
1 3 Bedrooms	50%	50%	\$776
11 1 Bedroom	60%	60%	\$672
14 2 Bedrooms	60%	56%	\$757
8 3 Bedrooms	60%	60%	\$931
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
<b><u>Chestnut Village</u></b>			
1 1 Bedroom	50%	50%	\$560
2 2 Bedrooms	50%	50%	\$672
1 3 Bedrooms	50%	50%	\$776
7 1 Bedroom	60%	60%	\$672
22 2 Bedrooms	60%	56%	\$757
6 3 Bedrooms	60%	60%	\$931
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
<b><u>Citrus Pointe I</u></b>			
1 1 Bedroom	50%	50%	\$560
3 2 Bedrooms	50%	50%	\$672
5 1 Bedroom	60%	59%	\$659
25 2 Bedrooms	60%	56%	\$746
4 3 Bedrooms	60%	60%	\$931
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Citrus Pointe II**

1	1 Bedroom	50%	50%	\$560
2	2 Bedrooms	50%	50%	\$672
2	3 Bedrooms	50%	50%	\$776
15	1 Bedroom	60%	59%	\$661
22	2 Bedrooms	60%	55%	\$743
8	3 Bedrooms	60%	60%	\$931

**Calexico Senior**

33	1 Bedroom	60%	60%	\$672
4	1 Bedroom	50%	50%	\$560
1	2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Imperial Gardens**

3	1 Bedroom	60%	60%	\$672
15	2 Bedrooms	60%	60%	\$807
10	3 Bedrooms	60%	60%	\$931
1	4 Bedrooms	60%	60%	\$1,039
5	1 Bedroom	50%	50%	\$560
9	2 Bedrooms	50%	50%	\$672
5	3 Bedrooms	50%	50%	\$776
1	4 Bedrooms	50%	50%	\$866
1	3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$10,262,266
Construction Costs	\$0
Rehabilitation Costs	\$7,449,600
Construction Hard Cost Contingency	\$640,000
Soft Cost Contingency	\$150,000
Relocation	\$91,000
Architectural/Engineering	\$435,300
Const. Interest, Perm. Financing	\$1,138,703
Legal Fees	\$100,000
Reserves	\$923,400
Other Costs	\$369,298
Developer Fee	\$2,819,226
Commercial Costs	\$0
<b>Total</b>	<b>\$24,378,793</b>

**Residential**

Construction Cost Per Square Foot:	\$43
Per Unit Cost:	\$95,230
True Cash Per Unit Cost*:	\$92,793

**Construction Financing**

Source	Amount
Rabobank	\$11,675,000
USDA RD 515- Assumed	\$10,021,689
USDA RD Replacement Reserves	\$320,000
Tax Credit Equity	\$2,362,104

**Permanent Financing**

Source	Amount
Bonneville Mortgage Company	\$6,650,000
USDA RD 515- Assumed	\$10,021,689
USDA RD Replacement Reserves	\$320,000
Deferred Developer Fee	\$623,901
Tax Credit Equity	\$6,763,203
<b>TOTAL</b>	<b>\$24,378,793</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$11,216,438
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,398,606
Applicable Fraction:	100.00%
Qualified Basis DDA/QCT (Rehabilitation):	\$5,012,346
Qualified Basis non-DDA/QCT (Rehabilitation):	\$7,360,788
Qualified Basis (Acquisition):	\$10,398,606
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$408,313
Maximum Annual Federal Credit, Acquisition:	\$343,154
Total Maximum Annual Federal Credit:	\$751,467
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,819,226
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.90000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount. Imperial VI has a cost based on assumed third party debt.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$21,615,044
Actual Eligible Basis:	\$21,615,044
Unadjusted Threshold Basis Limit:	\$84,574,174
Total Adjusted Threshold Basis Limit:	\$98,106,042

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 16%

**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 or 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 3.30% 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.

### **Significant Information / Additional Conditions**

Each site of Imperial VI operates under the USDA RD 515 subsidy program with existing USDA RD contracts. The entire project is receiving rental assistance, except 18 units at Citrus Pointe I and 22 units at Citrus Pointe II.

Each site has an onsite manager's unit except Citrus Pointe II. Citrus Pointe I and Citrus Pointe II are neighboring sites approximately 250 feet apart. Citrus Pointe I will have 2 units designated as manager units for both sites.

Calexico Senior and Imperial Garden are neighboring sites approximately 500 feet apart. Tenants at Calexico Senior are senior residents and tenants at Imperial Garden are family residents. Community facilities on each site are not shared by the two sites or their tenants.

Seeley Valley site was a previous TCAC project, Seeley Valley Apartments (CA-87-250). At the end of the 15-year compliance period the LIHTC program restrictions ended. The project was removed from TCAC's program and no longer regulated by TCAC, thus the Seeley Valley site of this project is not considered a resyndication. See **Resyndication and Resyndication Transfer Event below** for additional information.

### **Resyndication and Resyndication Transfer Event**

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreements (CA-88-018, CA-92-002, and CA-97-213). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

As required by the IRS, the newly resyndicated projects will continue to use the originally assigned Building Identification Numbers (BINs). In addition, although Seeley Valley Apartments is not considered a re-syndication, the buildings also must continue to use the originally assigned Building Identification Numbers (BINs) as required by the IRS.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreements Calexico Senior Apartments (CA-92-002) and Imperial Gardens (CA-97-213) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

Existing households at Citrus Pointe II Apartments (CA-88-018) must be re-qualified for income eligibility under the new reservation; the existing regulatory agreement (CA-88-018) does not incorporate the required extended use language; existing households are NOT "grandfathered." The applicant should consult TCAC compliance staff with questions about the re-qualification.

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The project is a resyndication occurring concurrently with a Transfer Event without a distribution of Net Project Equity and thus waived from the requirements under TCAC Regulation Section 10320(b)(4)(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 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.

**CDLAC Additional Conditions:** None