CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2019
REVISED

Mission Village II, located at 28493 Pujol Street in Temecula, requested and is being recommended for a reservation of $556,040 in annual federal tax credits to finance the acquisition and rehabilitation of 75 units of housing serving large families with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and is located in Senate District 28 and Assembly District 75.

Mission Village II is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Mission Village Apartments (CA-1998-969). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number	CA-19-590	
Project Name	Mission Village II	
Site Address:	28493 Pujol Street	
	Temecula, CA 92590	County: Riverside
Census Tract:	512.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$556,040	$0
Recommended:	$556,040	$0

Applicant Information

Applicant:	Temecula Gardens II, L.P.
Contact:	Marie Allen
Address:	13520 Evening Creek Drive N. Suite 160 San Diego, CA 92128
Phone:	(858) 679-2464
Email:	marie@affirmedhousing.com

General Partner(s) or Principal Owner(s):	AHG Mission Village II LLC Nexus for Affordable Housing, Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	Affirmed Housing Group, Inc. Nexus for Affordable Housing, Inc.
Developer:	Affirmed Housing Group, Inc.
Investor/Consultant:	WNC
Management Agent:	Solari Enterprises, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	76
No. / % of Low Income Units:	75 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (8 Units - 11%)
Utility Allowance:	CUAC

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	February 15, 2020

Information

Housing Type:	Large Family
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
40% AMI:	8	11%
60% AMI:	67	89%

Unit Mix

38	2-Bedroom Units
38	3-Bedroom Units
76	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	2 Bedrooms	40%	39%	$627
4	2 Bedrooms	60%	49%	$784
30	2 Bedrooms	60%	58%	$941
4	3 Bedrooms	40%	38%	$717
4	3 Bedrooms	60%	47%	$871
29	3 Bedrooms	60%	56%	$1,046
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$9,300,000
Construction Costs	$0
Rehabilitation Costs	$4,701,130
Construction Hard Cost Contingency	$480,113
Soft Cost Contingency	$85,757
Relocation	$134,118
Architectural/Engineering	$213,200
Const. Interest, Perm. Financing	$1,046,664
Legal Fees	$175,000
Reserves	$260,177
Other Costs	$412,279
Developer Fee	$2,214,985
Commercial Costs	$0
Total	**$19,023,423**

Residential	
Construction Cost Per Square Foot:	$64
Per Unit Cost:	$250,308
True Cash Per Unit Cost*:	$196,370

Construction Financing

Source	Amount
Chase - T.E. Bonds	$12,727,642
City of Temecula - Assumed	$305,000
Seller Credit	$463,394
Seller Carryback Loan	$3,238,100
Deferred Costs	$921,647
Deferred Developer Fee	$861,198
Tax Credit Equity	$506,441

Permanent Financing

Source	Amount
Chase (Tranche A) - T.E. Bonds	$6,544,254
Chase (Tranche C) - T.E. Bonds	$1,925,000
City of Temecula - Assumed	$305,000
Seller Credit	$463,394
Seller Carryback Loan	$3,238,100
MASH	$361,000
Deferred Developer Fee	$861,198
Solar Tax Credit Equity	$261,063
Tax Credit Equity	$5,064,414
TOTAL	**$19,023,423**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,902,204
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$9,947,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,902,204
Qualified Basis (Acquisition):	$9,947,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$227,773
Maximum Annual Federal Credit, Acquisition:	$328,267
Total Maximum Annual Federal Credit:	$556,040
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,214,985
Investor/Consultant:	WNC
Federal Tax Credit Factor:	$0.91080

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$16,849,704
Actual Eligible Basis:	$16,849,704
Unadjusted Threshold Basis Limit:	$28,625,856
Total Adjusted Threshold Basis Limit:	$31,488,442

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: 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 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

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this existing project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

The reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 180 days of the date of reservation.

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 Agreement (CA-1998-969). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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 agreement (CA-1998-969) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $394,522. There is a seller credit of at least $394,522, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.

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

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.