

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**January 15, 2020**

Courtyards at Cottonwood , located at Northeast Corner of Cottonwood Avenue and Indian Street in Moreno Valley, requested and is being recommended for a reservation of \$1,309,960 in annual federal tax credits and \$5,630,201 in total state tax credits to finance the new construction of 80 units of housing serving large families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Rancho Belago Developers, Inc. and will be located in Senate District 31 and Assembly District 61.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-20-422

**Project Name** Courtyards at Cottonwood  
**Site Address:** Northeast Corner of Cottonwood Avenue and Indian Street  
Moreno Valley, CA 92553 County: Riverside  
**Census Tract:** 425.21

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,309,960	\$5,630,201
Recommended:	\$1,309,960	\$5,630,201

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

**Applicant:** Courtyards at Cottonwood, L.P.  
**Contact:** James M. Jernigan  
**Address:** 27700 Kalmia Avenue  
Rancho Belago, CA 92555  
**Phone:** 760-832-2934  
**Email:** jjernigan@ranchobelagodevelopers.com

**General Partner(s) or Principal Owner(s):** RBD Cottonwood, LLC  
KDI Cottonwood, LLC  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Rancho Belago Developers, Inc.  
Kingdom Development, Inc.  
**Developer:** Rancho Belago Developers, Inc.  
**Investor/Consultant:** Boston Capital  
**Management Agent:** AWI Property Management

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 3  
Total # of Units: 81  
No. / % of Low Income Units: 80 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HOME / HUD Project-based Vouchers (35 Units - 43%) / NSP

**Bond Information**

Issuer: California Housing Finance Agency  
Expected Date of Issuance: July 1, 2020

**Information**

Housing Type: Large Family  
Geographic Area: Inland Empire Region  
TCAC Project Analyst: Carmen Doonan

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
30% AMI: 24	30%
40% AMI: 8	10%
50% AMI: 3	4%
60% AMI: 45	56%

**Unit Mix**

24 1-Bedroom Units  
29 2-Bedroom Units  
28 3-Bedroom Units  


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81 Total Units

<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>
16 1 Bedroom	30%	30%	\$404
4 1 Bedroom	40%	40%	\$538
4 1 Bedroom	60%	60%	\$808
4 2 Bedrooms	30%	29%	\$471
2 2 Bedrooms	40%	39%	\$627
2 2 Bedrooms	50%	49%	\$784
20 2 Bedrooms	60%	58%	\$933
4 3 Bedrooms	30%	28%	\$523
2 3 Bedrooms	40%	37%	\$697
1 3 Bedrooms	50%	47%	\$871
21 3 Bedrooms	60%	56%	\$1,037
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$400,000
Construction Costs	\$20,367,608
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,028,200
Soft Cost Contingency	\$498,000
Relocation	\$0
Architectural/Engineering	\$1,050,000
Const. Interest, Perm. Financing	\$1,816,369
Legal Fees	\$370,000
Reserves	\$222,394
Other Costs	\$3,774,175
Developer Fee	\$4,056,609
Commercial Costs	\$0
<b>Total</b>	<b>\$33,583,355</b>

**Residential**

Construction Cost Per Square Foot:	\$286
Per Unit Cost:	\$414,609
True Cash Per Unit Cost*:	\$386,533

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
City Community Capital -T.E.	\$18,000,000	Citi Community Capital	\$8,417,025
Citi Community Capital	\$4,665,434	County of Riverside - HOME	\$1,000,000
City of Moreno Valley - NSP	\$3,500,000	City of Moreno Valley - HOME	\$1,000,000
City of Moreno Valley - Waived Fees	\$816,451	City of Moreno Valley - NSP	\$3,500,000
Deferred Cost	\$3,204,246	City of Moreno Valley - Waived Fees	\$816,451
Tax Credit Equity	\$3,397,224	General Partner Contribution	\$406,000
		Deferred Developer Fee	\$1,457,761
		Tax Credit Equity	\$16,986,118
		<b>TOTAL</b>	<b>\$33,583,355</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$31,100,668
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$40,430,868
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,309,960
Total State Credit:	\$5,630,201
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,056,609
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.90991
State Tax Credit Factor:	\$0.89991

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:	\$31,100,668
Actual Eligible Basis:	\$31,100,668
Unadjusted Threshold Basis Limit:	\$27,996,784
Total Adjusted Threshold Basis Limit:	\$55,927,342

### **Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 13%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 60%

### **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 3.24% 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 reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 120 days of the date of reservation.

This project serves two tenant populations. Two two-story buildings will consist of 60 units for large families. One one-story building will have 20 units reserved for seniors.

**Resyndication and Resyndication Transfer Event:** None.

### **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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.