CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 5, 2007

Project Number CA-2007-904

Project Name East Rancho Verde Apartments
Address: 8837 Grove Avenue
Rancho Cucamonga, CA 91730 County: San Bernardino

Applicant Information
Applicant: East Rancho Verde Housing Partners, L.P.
Contact Richard Wittington
Address: 9065 Haven Avenue. Suite 100
Rancho Cucamonga, CA 91730
Phone: (909) 483-2444 Fax: (909) 483-2448
Sponsors Type: Nonprofit

Bond Information
Issuer: California Municipal Finance Authority
Expected Date of Issuance: January 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $11,470,768
Requested: $11,470,768
Maximum Permitted: $18,537,365

Extra Feature Adjustments:
55-Year Use/Rent Restriction Adjustment: 120% ☒
Local Development Impact Fees: ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$331,092	$0
Recommended:	$331,092	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: No
Total # of Units: 40
Total # Residential Buildings: 3

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 82% - 32 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 19
Number of Units @ or below 60% of area median income: 13

Unit Type & Number	2007 Rents % of Area Median Income	Proposed Rent (including utilities)
6 Three-Bedrooms	35%	$538
13 Three-Bedrooms	45%	$692
13 Three-Bedrooms	60%	$923
7 Three-Bedrooms	Market Rate	$1,142
1 Three-Bedroom	Manager's Unit	$0

The general partner or principal owner is the National Community Renaissance of California.

The project developer is National Community Renaissance of California.

The management services will be provided by National Community Renaissance of California.

The market analysis was provided by Novogradac & Company.

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.

Project Financing
Estimated Total Project Cost: $12,789,235 Per Unit Cost: $319,731 Construction Cost Per Sq. Foot: $181

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual Bank	$7,000,000	Washington Mutual Bank	$1,722,000
County of San Bernardino HOME	$1,100,000	County of San Bernardino HOME	$1,100,000
City of Rancho Cucamonga RDA	$3,500,000	City of Rancho Cucamonga RDA	$6,500,000
		Deferred Developer Fee	$289,067
		Investor Equity	$3,178,168
		TOTAL	**$12,789,235**

Determination of Credit Amount(s)

Requested Eligible Basis:	$11,470,768
130% High Cost Adjustment:	Yes
Applicable Fraction:	82%
Qualified Basis:	$9,406,030
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	$331,092
Approved Developer Fee:	$1,000,000
Tax Credit Factor:	$.95990

Applicant requests and staff recommends annual federal credits of $331,092 based on a qualified basis of $9,406,030 and a funding shortfall of $3,178,168.

Cost Analysis and Line Item Review
The requested eligible basis $11,470,768 is below TCAC's adjusted threshold basis limit $18,537,365. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, and local development impact fees. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
$331,092	**$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.

TCAC makes the 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 provide the tenants with after school programs and educational classes (such as English as a second language classes, computer training, etc.) for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Stephenie Alstrom