

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2013

Project Number CA-13-897

Project Name Mountain Breeze Villas
 Site Address: 25942 E. Baseline Street
 Highland, CA 92410 County: San Bernardino
 Census Tract: 74.080

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$557,540	\$0
Recommended:	\$557,540	\$0

Applicant Information

Applicant: Mountain Breeze Villas, LP
 Contact: Danielle Curls Bennett
 Address: 645 W. Ninth Street, Suite 215
 Los Angeles, CA 90015
 Phone: (213) 995-1770 Fax: (213) 995-1771
 Email: dcurlsbennett@apg-dev.com

General Partner(s) or Principal Owner(s): Mountain Breeze GP, LLC
 Hearthstone Housing Foundation
 General Partner Type: Joint Venture
 Parent Company(ies): Alliance Property Group Inc.
 Hearthstone Housing Foundation
 Developer: Alliance Property Group Inc.
 Investor/Consultant: Hunt Capital Partners, LLC
 Management Agent: The John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 9
 Total # of Units: 168
 No. & % of Tax Credit Units: 167 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 20
 Number of Units @ or below 50% of area median income: 12
 Number of Units @ or below 60% of area median income: 135

Bond Information

Issuer: CalHFA
 Expected Date of Issuance: December 20, 2013
 Credit Enhancement: HUD - FHA Insurance

Information

Housing Type: Non-Targeted
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Connie Harina

Unit Mix

56 1-Bedroom Units
 112 2-Bedroom Units

 168 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 1 Bedroom	30%	22%	\$260
36 1 Bedroom	60%	60%	\$716
12 2 Bedrooms	50%	50%	\$717
99 2 Bedrooms	60%	60%	\$860
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$840

Project Financing

Estimated Total Project Cost: \$19,409,720
 Estimated Residential Project Cost: \$19,409,720

Residential

Construction Cost Per Square Foot: \$27
 Per Unit Cost: \$115,534

Construction Financing

<u>Source</u>	<u>Amount</u>
CalHFA	\$12,000,000
CalHFA/SB County MHSA Loan	\$2,433,300
County of San Bernardino HOME	\$500,000
CalHFA Subsidy Loan	\$840,000
Income During Rehab	\$760,998
Deferred Costs	\$1,398,689
Deferred Developer Fee	\$1,086,733
Tax Credit Equity	\$500,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
CalHFA	\$8,386,000
CalHFA/SB County MHSA Loan	\$2,433,300
County of San Bernardino HOME	\$500,000
CalHFA Subsidy Loan	\$840,000
Income During Rehab	\$805,763
Deferred Developer Fee	\$1,203,781
Tax Credit Equity	\$5,240,876
TOTAL	\$19,409,720

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,280,836
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,625,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,165,087
Qualified Basis (Acquisition):	\$9,625,500
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$249,524
Maximum Annual Federal Credit, Acquisition:	\$308,016
Total Maximum Annual Federal Credit:	\$557,540
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,074,739
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	\$0.94000

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:	\$15,906,336
Actual Eligible Basis:	\$15,906,336
Unadjusted Threshold Basis Limit:	\$36,247,400
Total Adjusted Threshold Basis Limit:	\$46,759,146

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: 7%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 24%

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 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:

This project has a capitalized operating subsidy from CalHFA for 20 units or 11% of the total units.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Highland, has completed a site review of this project and supports this project.

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
\$557,540	\$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 commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.