

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

Project Number CA-13-905

Project Name Willow Village
Site Address: 1150 North Willow Ave.
Rialto, CA 92376 County: San Bernardino
Census Tract: 35.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$516,358	\$0
Recommended:	\$516,358	\$0

Applicant Information

Applicant: Reliant - San Gabriel, LP
Contact: Robert Lawler
Address: 275 Battery Street, Suite 500
San Francisco, CA 94111
Phone: (415) 501-9603 Fax: (415) 788-0435
Email: rlawler@reliantgroup.com

General Partner(s) or Principal Owner(s): Rainbow Housing Assistance Corporation
General Partner Type: Nonprofit
Parent Company(ies): Rainbow Housing Assistance Corporation
Developer: Gung Ho Partners, LLC
Investor/Consultant: City Real Estate Advisors, Inc.
Management Agent: FPI Management Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 18
Total # of Units: 100
No. & % of Tax Credit Units: 99 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (100% / 99 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 79

Bond Information

Issuer: CSCDA
Expected Date of Issuance: December 18, 2013
Credit Enhancement: N/A

Information

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

Unit Mix

80 2-Bedroom Units
 20 3-Bedroom Units

 100 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>
63 2 Bedrooms	60%	60%	\$861
16 3 Bedrooms	60%	60%	\$993
16 2 Bedrooms	50%	50%	\$717
4 3 Bedrooms	50%	50%	\$828
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$788

Project Financing

Estimated Total Project Cost: \$18,446,441
 Estimated Residential Project Cost: \$18,446,441

Residential

Construction Cost Per Square Foot: \$34
 Per Unit Cost: \$184,464

Construction Financing

<u>Source</u>	<u>Amount</u>
Citigroup Global Markets Inc.	\$10,160,000
Reliant CAP VII, LLC/Series B Sub Bond	\$2,225,000
Net Cash Flow From Operations	\$612,411
Tax Credit Equity	\$2,945,030

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citigroup Global Markets Inc.	\$10,160,000
Reliant CAP VII, LLC/Series B Sub Bond	\$2,225,000
Net Cash Flow From Operations	\$612,411
Deferred Developer Fee	\$497,161
Tax Credit Equity	\$4,951,869
TOTAL	\$18,446,441

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$4,374,916
 130% High Cost Adjustment: Yes
 Requested Eligible Basis (Acquisition): \$10,450,396
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$5,687,391
 Qualified Basis (Acquisition): \$10,450,396
 Applicable Rate: 3.20%
 Maximum Annual Federal Credit, Rehabilitation: \$181,946
 Maximum Annual Federal Credit, Acquisition: \$334,412
 Total Maximum Annual Federal Credit: \$516,358
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,933,736
 Investor/Consultant: City Real Estate Advisors, Inc.
 Federal Tax Credit Factor: \$0.95900

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:	\$14,825,313
Actual Eligible Basis:	\$14,825,313
Unadjusted Threshold Basis Limit:	\$24,161,280
Total Adjusted Threshold Basis Limit:	\$28,993,536

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: 20%

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 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 3.20% 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:

The project currently has an annual renewal HUD Section 8 project based contract covering 100% of the tax credit units. The applicant has applied for a 20-year renewal contract with HUD.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Rialto, has completed a site review of this project and supports the project receiving a reservation of tax credits conditioned upon the Applicant performing the improvement items listed in Resolution number 6355 dated November 13, 2013.

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
\$516,358

State Tax Credits/Total
\$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: None