

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 21, 2014

Project Number CA-14-843

Project Name Indio Desert Palms
Site Address: 46575 Clinton Street
Indio, CA 92201 County: Riverside
Census Tract: 452.070

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$638,265	\$0
Recommended:	\$638,265	\$0

Applicant Information

Applicant: Indio Family Housing Partners L.P
Contact: Jimmy Silverwood
Address: 13520 Evening Creek Drive North, Suite 160
San Diego, CA 92128
Phone: 858-386-5178 Fax: 858-679-9076
Email: james@affirmedhousing.com

General Partner(s) or Principal Owner(s): AHG Indio, LLC
NEXUS for Affordable Housing, Inc.
General Partner Type: Joint Venture
Parent Company(ies): Affirmed Housing Group
NEXUS for Affordable Housing, Inc.
Developer: Affirmed Housing Group
Investor/Consultant: US Bancorp
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 14
Total # of Units: 144
No. & % of Tax Credit Units: 142 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 29
Number of Units @ or below 60% of area median income: 113

Bond Information

Issuer: California Statewide Community Development Authority
 Expected Date of Issuance: October 1, 2014
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

8 2-Bedroom Units
 80 3-Bedroom Units
 56 4-Bedroom Units

 144 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 2 Bedrooms	50%	50%	\$683
4 2 Bedrooms	60%	59%	\$807
15 3 Bedrooms	50%	50%	\$789
64 3 Bedrooms	60%	60%	\$947
11 4 Bedrooms	50%	50%	\$881
45 4 Bedrooms	60%	60%	\$1,057
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$19,188,400
 Estimated Residential Project Cost: \$19,188,400

Residential

Construction Cost Per Square Foot: \$27
 Per Unit Cost: \$133,253

Construction Financing

<u>Source</u>	<u>Amount</u>
Chase - Tax Exempt Bonds	\$11,000,000
Operating Income	\$749,093
Solar Tax Credit Equity	\$330,480
Deferred Developer Fee	\$975,003
Tax Credit Equity	\$6,133,824

Permanent Financing

<u>Source</u>	<u>Amount</u>
Prudential - Permanent Loan	\$10,815,000
Operating Income	\$749,093
Solar Tax Credit Equity	\$330,480
Deferred Developer Fee	\$975,003
Tax Credit Equity	\$6,318,824
TOTAL	\$19,188,400

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,760,800
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,210,200
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,789,040
Applicable Rate:	3.36%
Qualified Basis (Acquisition):	\$10,210,200
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$295,203
Maximum Annual Federal Credit, Acquisition:	\$343,062
Total Maximum Annual Federal Credit:	\$638,265
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,237,400
Investor/Consultant:	US Bancorp
Federal Tax Credit Factor:	\$0.99000

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:	\$16,971,000
Actual Eligible Basis:	\$16,971,000
Unadjusted Threshold Basis Limit:	\$44,595,984
Total Adjusted Threshold Basis Limit:	\$53,515,181

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 3.36% 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 applicant's estimate of contractor profit, overhead and general requirement costs exceed TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Indio, 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
\$638,265	\$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.
- The project commits to include photovoltaic (PV) generation that offsets tenant loads.