CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

Rancho California, located at 29210 Stonewood Road in Temecula, requested and is being recommended for a reservation of $498,744 in annual federal tax credits to finance the acquisition and rehabilitation of 54 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Thomas Safran & Associates and is located in Senate District 28 and Assembly District 75.

Project Number CA-15-931

Project Name Rancho California

Site Address:	29210 Stonewood Road	
	Temecula, CA 92591	County: Riverside
Census Tract:	432.160	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$498,744	$0
Recommended:	$498,744	$0

Applicant Information

Applicant:	Rancho California LP		
Contact:	Anthony Yannatta		
Address:	11812 San Vicente Blvd., Ste. 600		
	Los Angeles	CA	90049
Phone:	310-820-4888	Fax:	310-207-6986
Email:	anthony@tsahousing.com		

General Partner(s) or Principal Owner(s):	Housing Corporation of America
	Rancho California LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Housing Corporation of America
	Thomas Safran & Associates, Inc.
Developer:	Thomas Safran & Associates Development, Inc.
Investor/Consultant:	Wells Fargo
Management Agent:	Thomas Safran & Associates, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	11
Total # of Units:	55
No. & % of Tax Credit Units:	54 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Project-Based Section 8 Contract (54 Units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 11

Number of Units @ or below 60% of area median income: 43

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	January 15, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

22	2-Bedroom Units
22	3-Bedroom Units
11	4-Bedroom Units
55	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	2 Bedrooms	50%	50%	$698
16	2 Bedrooms	60%	60%	$838
3	3 Bedrooms	50%	50%	$807
18	3 Bedrooms	60%	60%	$969
2	4 Bedrooms	50%	50%	$901
9	4 Bedrooms	60%	60%	$1,081
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$10,600,000
Construction Costs	$0
Rehabilitation Costs	$2,552,000
Construction Contingency	$255,200
Relocation	$27,500
Architectural/Engineering	$197,500
Construction Interest, Perm Financing	$801,433
Legal Fees, Appraisals	$129,750
Reserves	$183,690
Other Costs	$376,099
Developer Fee	$1,813,536
Commercial Costs	$0
Total	**$16,936,707**

Project Financing

Estimated Total Project Cost:	$16,936,707
Estimated Residential Project Cost:	$16,936,707

Residential

Construction Cost Per Square Foot:	$43
Per Unit Cost:	$307,940

Construction Financing

Source	Amount
Citi Community Capital	$11,725,000
Deferred Developer Fee	$1,763,536
Tax Credit Equity	$3,448,172

Permanent Financing

Source	Amount
Citi Community Capital	$8,008,000
Citibank Subordinate Loan	$1,650,000
Construction Period Income	$423,344
AHP	$550,000
Deferred Developer Fee	$1,068,603
Tax Credit Equity	$5,236,760
TOTAL	**$16,936,707**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,036,773
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,867,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,247,804
Qualified Basis (Acquisition):	$9,867,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$173,133
Maximum Annual Federal Credit, Acquisition:	$325,611
Total Maximum Annual Federal Credit:	$498,744
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,813,536
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	$1.04999

Per Regulation Section 10322(h)(9)(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:	$13,903,773
Actual Eligible Basis:	$13,903,773
Unadjusted Threshold Basis Limit:	$15,803,040
Total Adjusted Threshold Basis Limit:	$18,963,648

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 3.30% 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 was originally awarded credits as CA-13-818. The original awarded applicant never closed on the purchase or had bonds issued. The new applicant is purchasing the property and taking over development.

Local Reviewing Agency

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.

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
$498,744	**$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.