CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016
REVISED

The Village at Madera, located at 501 Monterey Street in Madera, requested and is being recommended for a reservation of $226,357 in annual federal tax credits to finance the acquisition and rehabilitation of 74 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners and is located in Senate District 12 and Assembly District 5.

The Village at Madera is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Madera Family Apartments (CA-97-545). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-888

Project Name The Village at Madera

Site Address:	501 Monterey Street	
	Madera, CA 93637	County: Madera
Census Tract:	5.020	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$226,357	$0
Recommended:	$226,357	$0

Applicant Information

Applicant:	Village Madera AR, L.P.	
Contact:	Thomas Erickson	
Address:	330 W. Victoria Street	
	Gardena, CA 90248	
Phone:	424-258-2918	Fax: 424-258-2919
Email:	thomas.erickson@housingpartners.com	

General Partner(s) or Principal Owner(s):	WCH Affordable XI, LLC
	HCHP Affordable Multi-Family, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Western Community Housing
	Highridge Costa Housing Partners
Developer:	Highridge Costa Housing Partners, LLC
Investor/Consultant:	Victoria Capital, LLC
Management Agent:	Winn Residential California, L.P.

Project Information

Construction Type:	Acquisition and Rehabilitation
Total # Residential Buildings:	10
Total # of Units:	75
No. & % of Tax Credit Units:	74 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 74

Bond Information

Issuer:	Golden State Finance Authority
Expected Date of Issuance:	July 20, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Central Valley Region
TCAC Project Analyst:	Mayra Lozano

Unit Mix

14	2-Bedroom Units
53	3-Bedroom Units
8	4-Bedroom Units
75	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14	2 Bedrooms	46%	46%	$610
52	3 Bedrooms	46%	46%	$704
8	4 Bedrooms	46%	46%	$786
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$704

Project Cost Summary at Application

Land and Acquisition	$4,560,000
Construction Costs	$0
Rehabilitation Costs	$1,282,500
Construction Contingency	$69,625
Relocation	$0
Architectural/Engineering	$68,275
Const. Interest, Perm. Financing	$330,548
Legal Fees, Appraisals	$137,500
Reserves	$128,204
Other Costs	$76,557
Developer Fee	$840,460
Commercial Costs	$0
Total	**$7,493,669**

Project Financing

Estimated Total Project Cost:	$7,493,669
Estimated Residential Project Cost:	$7,493,669
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$16
Per Unit Cost:	$99,916
True Cash Per Unit Cost*:	$83,048

Construction Financing

Source	Amount
America First T.E. Investors, L.P.	$4,804,000
Golden State Finance Authority Loan	$350,000
Seller Carryback Loan	$466,607
Seller Equity	$685,759
Deferred Costs	$957,652
Tax Credit Equity	$229,651

Permanent Financing

Source	Amount
America First T.E. Investors, L.P.	$3,088,875
Golden State Finance Authority Loan	$350,000
Seller Carryback Loan	$466,607
Seller Equity	$685,759
Deferred Developer Fee	$798,437
Tax Credit Equity	$2,103,991
TOTAL	**$7,493,669**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$1,740,028
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,703,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$2,262,036
Qualified Basis (Acquisition):	$4,703,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$73,493
Maximum Annual Federal Credit, Acquisition:	$152,864
Total Maximum Annual Federal Credit:	$226,357
Approved Developer Fee (in Project Cost & Eligible Basis):	$840,460
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	$0.92950

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:	$6,443,528
Actual Eligible Basis:	$6,443,528
Unadjusted Threshold Basis Limit:	$21,708,136
Total Adjusted Threshold Basis Limit:	$43,416,272

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: 100%

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 3.25% 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 requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% due to excessive expensiveness. The project shall provide 5% of units meeting the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use, except for the requirements to relocate the toilet and sink in one-bedroom, to flip the bathtub and drain, and to widen an interior hallway from 36 inches to 42 inches.

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/1999 through 12/31/2013. The existing regulatory agreement expires 12/31/2053. The existing regulatory agreement targets 74 units such that the average income of tenants is at or below 46% of AMI, and such units shall be rent-restricted in accordance with such income level.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $650,863. In lieu of a Short Term Work Capitalized Reserve, there is a seller equity contribution of $685,759, allowing the applicant to use Short Term Work Reserve Amount to fund rehabilitation expenses and to receive eligible basis for that amount.

Local Reviewing Agency
The Local Reviewing Agency, the City of Madera, 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
$226,357	**$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