CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Marygold Gardens Apartments, located at 17215 Marygold Avenue in Fontana, requested and is being recommended for a reservation of $629,142 in annual federal tax credits to finance the acquisition and rehabilitation of 80 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by CAHD Developers, LLC and is located in Senate District 23 and Assembly District 47.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number	CA-16-930	
Project Name	Marygold Gardens Apartments	
Site Address:	17215 Marygold Avenue	
	Fontana, CA 92335	County: San Bernardino
Census Tract:	33.020	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$629,142	$0
Recommended:	$629,142	$0

Applicant Information

Applicant:	Marygold Associates II, LP	
Contact:	Marco Gomez	
Address:	3553 Atlantic Avenue, #250	
	Long Beach, CA 90807	
Phone:	(213) 924-3217	Fax: (562) 683-0414
Email:	mg@iahinc.org	

General Partner(s) or Principal Owner(s):	IAHI-MG, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Intercontinental Affordable Housing, Inc.
Developer:	CAHD Developers, LLC
Investor/Consultant:	The Richman Group
Management Agent:	American Real Property Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	12
Total # of Units:	80
No. & % of Tax Credit Units:	79 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Contract (80 Units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	9
Number of Units @ or below 60% of area median income:	70

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	October 15, 2016
Credit Enhancement:	N/A

Information

Housing Type:	At-Risk
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	DC Navarrette

Unit Mix

16	1-Bedroom Units
46	2-Bedroom Units
18	3-Bedroom Units
80	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	50%	$600
5	2 Bedrooms	50%	50%	$720
2	3 Bedrooms	50%	50%	$831
14	1 Bedroom	60%	60%	$720
41	2 Bedrooms	60%	60%	$864
15	3 Bedrooms	60%	60%	$997
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$997

Project Cost Summary at Application

Land and Acquisition	$13,050,000
Construction Costs	$0
Rehabilitation Costs	$3,861,834
Construction Contingency	$100,000
Relocation	$40,000
Architectural/Engineering	$128,650
Const. Interest, Perm. Financing	$1,113,281
Legal Fees, Appraisals	$61,500
Reserves	$1,145,150
Other Costs	$140,250
Developer Fee	$2,303,837
Commercial Costs	$0
Total	**$21,944,502**

Project Financing

Estimated Total Project Cost:	$21,944,502
Estimated Residential Project Cost:	$21,944,502
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$45
Per Unit Cost:	$274,306
True Cash Per Unit Cost*:	$229,240

Construction Financing

Source	Amount
Jones Lang LaSalle	$11,000,000
Seller Carryback Note	$4,000,000
Totalis Energy - Solar Financing	$2,000,000
Deferred Developer Fee	$2,124,262
Tax Credit Equity	$2,820,240

Permanent Financing

Source	Amount
Jones Lang LaSalle	$11,000,000
Seller Carryback Note	$2,000,000
Solar Tax Credit Equity	$638,872
Deferred Developer Fee	$1,605,268
Tax Credit Equity	$6,700,362
TOTAL	**$21,944,502**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,472,752
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,247,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,114,578
Qualified Basis (Acquisition):	$12,247,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$231,098
Maximum Annual Federal Credit, Acquisition:	$398,044
Total Maximum Annual Federal Credit:	$629,142
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,303,837
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	$1.06500

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:	$17,720,252
Actual Eligible Basis:	$17,720,252
Unadjusted Threshold Basis Limit:	$21,201,504
Total Adjusted Threshold Basis Limit:	$25,017,775

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

● Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.

● Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 11%

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 proposed rent do not include any utility allowance. The owner will pay for all utilities.

Local Reviewing Agency

The Local Reviewing Agency, the City of Fontana, has completed a site review of this project and strongly 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
$629,142	**$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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project commits to include photovoltaic (PV) generation that offsets tenant loads.
- The project commits to irrigate only with reclaimed water, greywater, or rainwater (excluding community gardens)