

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 5, 2009

Project Number CA-2009-828

Project Name Orange Villas
Address: 225 and 440-450 Orange Ave.
Coronado, CA 92118 County: San Diego

Applicant Information

Applicant: San Diego Interfaith Housing Foundation
Contact Matthew Jumper
Address: 7956 Lester Ave.
Lemon Grove, CA 91945
Phone: (619) 668-1532 **Fax:** (619) 667-0891
Email: mjumper@sdihf.org
Sponsors Type: Nonprofit

Information

Housing Type: Large Family

Bond Information

Issuer: CSCDA
Expected Date of Issuance: 9/1/2009
Credit Enhancement: No

Eligible Basis

Actual: \$5,290,141
Requested: \$5,290,141
Maximum Permitted: \$7,628,466

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 12%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$226,947	\$0
Recommended:	\$226,947	\$0

Project Information

Construction Type: New Construction/Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 18
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 18 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 50% of area median income: 12
 Number of Units @ or below 60% of area median income: 6

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
1 SRO/Studio	50%	\$656
5 One-Bedroom	50%	\$749
6 Two-Bedrooms	50%	\$843
6 Two-Bedrooms	60%	\$1,011

The general partner or principal owner is the Coronado Interfaith Housing Corporation.

The project developer is San Diego Interfaith Housing Foundation.

The management services will be provided by Interfaith Housing Assistance Corporation.

The market analysis was provided by Froboese Realty.

The Local Reviewing Agency, the City of Coronado, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$5,682,277 Per Unit Cost: \$315,682 Construction Cost Per Sq. Foot: \$240

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank – Tax Exempt	\$2,808,171	Ca. Community Reinvestment Corp	\$845,897
CDA City of Coronado	\$2,013,826	CDA City of Coronado	\$2,870,000
Investor Equity	\$225,000	Deferred Developer Fee	\$105,414
		Investor Equity	\$1,860,966
		TOTAL	\$5,682,277

Determination of Credit Amount(s)

Requested Eligible Basis: \$5,290,141
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100%
 Qualified Basis: \$6,877,183
 Applicable Rate: 3.50%
 Total Maximum Annual Federal Credit: \$226,947
 Approved Developer Fee: \$690,018
 Tax Credit Factor: *Red Capital Markets, Inc.* \$0.82

Applicant requests and staff recommends annual federal credits of \$226,947 based on a qualified basis of \$6,877,183 and a funding shortfall of \$1,860,966.

Cost Analysis and Line Item Review

The requested eligible basis \$5,290,141 is below TCAC's adjusted threshold basis limit \$7,628,466. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses **meet** 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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$226,947	\$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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 provide the tenants with educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Benjamin Schwartz