

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2010 First Round
June 9, 2010

Project Number CA-2010-124

Project Name The Magnolia at Highland
 Site Address: 2120-2096 Medical Center Dr.
 San Bernardino, CA 92411 County: San Bernardino
 Census Tract: 42.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,154,074	\$0
Recommended:	\$1,154,074	\$0

Applicant Information

Applicant: Magnolia Highland, L.P.
 Contact: Aaron Mandel
 Address: 1640 S. Sepulveda Blvd., Ste. 425
 Los Angeles CA 90025
 Phone: 310-575-3543 Fax: 310-575-3563
 Email: amandel@metahousing.com

General partner(s) or principal owner(s): Western Community Housing, Inc.
 Magnolia Highland, LLC
 General Partner Type: Joint Venture
 Developer: Meta Housing Corporation
 Investor/Consultant: Red Stone Equity Partners
 Management Agent: Western Seniors Housing, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100%
 Federal Set-Aside Elected: 40%/60% Test
 Federal Subsidy: N/A
 Affordability Breakdown by % (Lowest Income Points):
 30% AMI: 10 %
 35% AMI: 10 %
 40% AMI: 10 %
 50% AMI: 25 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Inland Empire
 TCAC Project Analyst: DC Navarrette

Unit Mix

68 1-Bedroom Units
 12 2-Bedroom Units

 80 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	30%	30%	\$374
8 1 Bedroom	35%	35%	\$437
8 1 Bedroom	40%	40%	\$499
14 1 Bedroom	50%	50%	\$624
32 1 Bedroom	55%	50%	\$630
2 2 Bedrooms	30%	30%	\$449
6 2 Bedrooms	50%	50%	\$748
3 2 Bedrooms	55%	55%	\$823
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$836

Project Financing

Estimated Total Project Cost: \$19,054,756 Construction Cost Per Square Foot: \$107
 Per Unit Cost: \$238,184

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Chase Community Development	\$7,000,000	PNC Financial	\$1,924,608
RDA of the City of San Bernardino	\$7,000,000	RDA of the City of San Bernardino	\$7,000,000
FHLB - AHP	\$790,000	FHLB - AHP	\$790,000
Deferred Developer Fee	\$1,702,711	Deferred Developer Fee	\$800,000
Tax Credit Equity	\$2,562,044	Tax Credit Equity	\$8,540,148
		TOTAL	\$19,054,756

Determination of Credit Amount(s)

Requested Eligible Basis: \$9,863,880
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$12,823,044
 Applicable Rate: 9.00%
 Maximum Annual Federal Credit: \$1,154,074
 Approved Developer Fee in Project Cost: \$2,000,000
 Approved Developer Fee in Eligible Basis: \$1,400,000
 Investor/Consultant: Red Stone Equity Partners
 Federal Tax Credit Factor: \$0.74000

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:	\$9,863,880
Actual Eligible Basis:	\$15,262,327
Unadjusted Threshold Basis Limit:	\$12,525,764
Total Adjusted Threshold Basis Limit:	\$15,383,549

Adjustments to Basis Limit:

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	89.116%

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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
\$1,154,074

State Tax Credits/Total
\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	40	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public library	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
Sustainable Building Methods	8	8	8
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
Project has nonsmoking buildings or contiguous sections w/i a building	1	1	1
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
State Credit Substitution	2	2	2
Total Points	146	146	146

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.