

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 17, 2010**  
**REVISED**

**Project Number** CA-2010-843

**Project Name** Village Meadows  
Site Address: 700 Arbor Parkway  
Hemet, CA 92545 County: Riverside  
Census Tract: 433.060

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$387,827	\$0
Recommended:	\$387,827	\$0

**Applicant Information**

Applicant: Hemet Leased Housing Associates I, Limited Partnership  
Contact: Jeff Huggett  
Address: 2905 Northwest Blvd, Suite 150  
Plymouth, MN 55441  
Phone: (763) 354-5605 Fax: (763) 249-8757  
Email: jhuggett@dominiuminc.com

General partner(s) or principal owner(s): Hemet Leased Housing Associates I, LLC  
Central Valley Coalition for Affordable Housing  
General Partner Type: Joint Venture  
Developer: Hemet Leased Housing Development I, LLC  
Investor/Consultant: Alliant Capital  
Management Agent: Dominionium Management Services, LLC

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 10  
Total # of Units: 68  
No. & % of Tax Credit Units: 67 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax Exempt/HUD Section 8 (100% - 68 Units)  
HCD MHP Funding: Yes  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 35  
Number of Units @ or below 50% of area median income: 4  
Number of Units @ or below 60% of area median income: 28

**Information**

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

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: 12/9/2010  
 Credit Enhancement: Freddie Mac

**Unit Mix**

42 2-Bedroom Units  
 26 3-Bedroom Units  


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 68 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 2 Bedrooms	60%	55%	\$797
2 2 Bedrooms	60%	55%	\$797
13 2 Bedrooms	50%	50%	\$731
4 2 Bedrooms	40%	40%	\$585
6 2 Bedrooms	35%	35%	\$511
9 2 Bedrooms	30%	30%	\$438
5 3 Bedrooms	60%	58%	\$985
1 3 Bedrooms	60%	58%	\$985
20 3 Bedrooms	30%	30%	\$507
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$930

**Project Financing**

Estimated Total Project Cost: \$12,324,133      Construction Cost Per Square Foot: \$47  
 Per Unit Cost: \$181,237

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Prudential/Freddie Mac	\$5,915,000	Prudential/Freddie	\$5,915,000
Dougherty Funding	\$3,334,229	HCD - MHP	\$2,207,000
City of Hemet	\$500,000	City of Hemet	\$500,000
Operating Income	\$96,872	Operating Income	\$96,872
Seller Reserves	\$124,202	Seller Reserves	\$124,202
Tax Credit Equity	\$583,540	Deferred Developer Fee	\$563,359
		Tax Credit Equity	\$2,917,700
		<b>TOTAL</b>	<b>\$12,324,133</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,422,449
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,657,480
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,749,184
Qualified Basis (Acquisition):	\$5,657,480
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$195,473
Maximum Annual Federal Credit, Acquisition:	\$192,354
Total Maximum Annual Federal Credit:	\$387,827
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,314,773
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$0.75232

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:	\$10,079,929
Actual Eligible Basis:	\$10,079,929
Unadjusted Threshold Basis Limit:	\$16,862,720
Total Adjusted Threshold Basis Limit:	\$41,988,173

**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: 25%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 104%

**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 with the exception of construction overhead, see Special Issues/Other Significant Information. 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 3.40% 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:** The applicant’s estimate of the contractor’s profit, overhead and general requirement costs exceed the limits established by regulation. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit will not be allowed.

**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**  
**\$387,827**

**State Tax Credits/Total**  
**\$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 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 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 placed-in-service application is submitted:

- 1) Either a) flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or b) at least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit.
- 2) At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill, or landscape amendments (30%).
- 3) For rehabilitation projects not subject to Title 24 requirements, use of fluorescent light fixtures for at least 75% of light fixtures or comparable energy lighting for the project's total lighting (including community rooms and any common space) throughout the compliance period.