

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2011

Project Number CA-2011-830

Project Name Desert Meadows Apartments
 Site Address: 44071 Clinton Street
 Indio, CA 92201 County: Riverside
 Census Tract: 452.080

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$968,626	\$0
Recommended:	\$968,626	\$0

Applicant Information

Applicant: Desert Meadows Housing Partners, L.P.
 Contact: Richard J. Whittingham
 Address: 9065 Haven Ave., Suite 100
 Rancho Cucamonga, CA 91730
 Phone: 909-483-2444 Fax: 909-483-2448
 Email: rwhittingham@nationalcore.org

General partner(s) or principal owner(s): Southern California Housing Development Corporation
 of the Inland Empire
 General Partner Type: Nonprofit
 Developer: National CORE of CA
 Investor/Consultant: Union Bank, N.A.
 Management Agent: National CORE of CA

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt Bonds
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 20
 Number of Units @ or below 50% of area median income: 59

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 08/19/11
 Credit Enhancement: None

Information

Housing Type: Large Family
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Nicola Hil

Unit Mix

50 2-Bedroom Units
 30 3-Bedroom Units

 80 Total Units

<u>Unit Type & 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>
5 2 Bedrooms	25%	25%	\$365
7 2 Bedrooms	35%	35%	\$511
38 2 Bedrooms	40%	40%	\$585
3 3 Bedrooms	25%	25%	\$422
5 3 Bedrooms	35%	35%	\$591
21 3 Bedrooms	40%	40%	\$676
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$23,139,655 Construction Cost Per Square Foot: \$188
 Per Unit Cost: \$289,246

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank	\$12,700,000	County of Riverside RDA	\$7,900,000
County of Riverside RDA	\$7,900,000	HCD MHP	\$6,112,655
Tax Credit Equity	\$1,837,635	FHLB AHP	\$419,000
		Union Bank - Solar Credits Equity	\$150,000
		Deferred Developer Fees	\$35,000
		Tax Credit Equity	\$8,523,000
		TOTAL	\$23,139,655

Determination of Credit Amount(s)

Requested Eligible Basis: \$21,914,617
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$28,489,003
 Applicable Rate: 3.40%
 Total Maximum Annual Federal Credit: \$968,626
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,200,000
 Investor/Consultant: Union Bank, N.A.
 Federal Tax Credit Factor: \$0.87991

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:	\$21,914,617
Actual Eligible Basis:	\$21,914,617
Unadjusted Threshold Basis Limit:	\$19,801,600
Total Adjusted Threshold Basis Limit:	\$51,687,487

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Day Care Center
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 74%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 50%

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 3.40% 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: None

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	State Tax Credits/Total
\$968,626	\$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 provide the tenants with after school programs and educational classes free of charge 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.

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:

- Designed in compliance with LEED standards; and
- Exceed title 24 Standards by at least 10%; and
- Energy Star Rated fans in all bedrooms; and
- Design the project retain, infiltrate and/or treat onsite the first one-half inch of rainfall in a 24-hr period; and
- Include in project specifications, a construction Indoor Air Quality Management plan.