CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016

Madera Vista Apartments Phase 3, located at 44155 Margarita Road in Temecula, requested and is being recommended for a reservation of $345,674 in annual federal tax credits to finance the new construction of 29 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and will be located in Senate District 36 and Assembly District 66.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number	CA-16-901		
Project Name	Madera Vista Apartments Phase 3		
Site Address:	44155 Margarita Road		
	Temecula, CA 92592	County:	Riverside
Census Tract:	432.220		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$345,674	$0
Recommended:	$345,674	$0

Applicant Information

Applicant:	BRIDGE Housing Corporation		
Contact:	Jeff Williams		
Address:	2202 30th Street		
	San Diego, CA 92104		
Phone:	(619) 814-1281	Fax:	(619) 231-6301
Email:	jwilliams@bridgehousing.com		

General Partner(s) or Principal Owner(s):	BRIDGE SC, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	BRIDGE Housing Corporation
Developer:	BRIDGE Housing Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	BRIDGE Property Management Co.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	3
Total # of Units:	30
No. & % of Tax Credit Units:	29 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Vouchers (7 Units - 24%)
HCD MHP Funding:	No
Utility Allowance:	CUAC
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 8
Number of Units @ or below 60% of area median income: 21

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	October 1, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Inland Empire Region
TCAC Project Analyst:	DC Navarrette

Unit Mix

3	1-Bedroom Units
14	2-Bedroom Units
13	3-Bedroom Units
30	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	50%	50%	$600
4	2 Bedrooms	50%	50%	$720
3	3 Bedrooms	50%	50%	$831
2	1 Bedroom	60%	60%	$720
9	2 Bedrooms	60%	60%	$864
10	3 Bedrooms	60%	60%	$997
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$721,345
Construction Costs	$5,216,526
Rehabilitation Costs	$0
Construction Contingency	$263,000
Relocation	$0
Architectural/Engineering	$489,000
Const. Interest, Perm. Financing	$526,767
Legal Fees, Appraisals	$80,000
Reserves	$76,166
Other Costs	$794,302
Developer Fee	$1,067,100
Commercial Costs	$0
Total	**$9,234,206**

Project Financing

Estimated Total Project Cost:	$9,234,206
Estimated Residential Project Cost:	$9,234,206
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$152
Per Unit Cost:	$307,807
True Cash Per Unit Cost*:	$282,237

Construction Financing

Source	Amount
Citibank - Construction Loan	$6,200,000
County of Riverside - NSP	$1,050,000
City of Temecula	$721,345
Accrued/Deferred Interest	$59,300
Deferred Costs	$916,561
Tax Credit Equity	$287,000

Permanent Financing

Source	Amount
Citibank - Permanent Loan	$1,501,000
Citibank - Subordinate Loan	$900,000
County of Riverside - NSP	$1,650,000
City of Temecula	$721,345
Accrued/Deferred Interest	$59,300
Deferred Developer Fee	$767,100
Tax Credit Equity	$3,635,461
TOTAL	**$9,234,206**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$8,181,628
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$10,636,116
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$345,674
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,067,100
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.05170

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:	$8,181,628
Actual Eligible Basis:	$8,181,628
Unadjusted Threshold Basis Limit:	$7,552,956
Total Adjusted Threshold Basis Limit:	$9,592,254

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: 27%

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: 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
$345,674	**$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: None.