

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project**

July 15, 2015

REVISED

Project Number CA-15-854

Project Name March Veterans Village
Site Address: Southwest Corner of N Street and 6th Street
March Air Force Base, CA 92518
County: Riverside
Census Tract: 421.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,314,580	\$0
Recommended:	\$1,314,580	\$0

Applicant Information

Applicant: Coachella Valley Housing Coalition
Contact: John F. Mealey
Address: 45701 Monroe Street, Suite G
Indio, CA 92201
Phone: (760) 347-3157 **Fax:** (760) 342-6466
Email: john.mealy@cvhc.org

General Partner(s) or Principal Owner(s): Coachella Valley Housing Coalition
United States Veterans Initiative
General Partner Type: Nonprofit
Parent Company(ies): Coachella Valley Housing Coalition
United States Veterans Initiative
Developer: Coachella Valley Housing Coalition
Investor/Consultant: Community Economics
Management Agent: Hyder Property Management Professionals

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 138
No. & % of Tax Credit Units: 136 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD VASH Project-Based Vouchers (75 Units - 54%)
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 57
Number of Units @ or below 50% of area median income: 61
Number of Units @ or below 60% of area median income: 18

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: October 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

116 SRO/Studio Units
 6 1-Bedroom Units
16 2-Bedroom Units
 138 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
33 SRO/Studio	30%	30%	\$326
4 SRO/Studio	35%	30%	\$326
20 SRO/Studio	35%	25%	\$275
38 SRO/Studio	40%	30%	\$326
9 SRO/Studio	40%	25%	\$275
12 SRO/Studio	55%	55%	\$598
2 1 Bedroom	40%	40%	\$466
2 1 Bedroom	50%	50%	\$582
2 1 Bedroom	60%	60%	\$699
4 2 Bedrooms	40%	40%	\$559
6 2 Bedrooms	50%	50%	\$698
4 2 Bedrooms	60%	60%	\$838
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$32,073
Construction Costs	\$21,267,713
Rehabilitation Costs	\$0
Construction Contingency	\$2,552,126
Relocation	\$0
Architectural/Engineering	\$1,461,090
Construction Interest, Perm Financing	\$1,847,907
Legal Fees, Appraisals	\$90,000
Reserves	\$5,508,167
Other Costs	\$1,972,652
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$37,231,727

Project Financing

Estimated Total Project Cost:	\$37,231,727
Estimated Residential Project Cost:	\$37,231,727

Residential

Construction Cost Per Square Foot:	\$185
Per Unit Cost:	\$269,795

Construction Financing

Source	Amount
Bank of America	\$28,000,000
AHP	\$1,350,000
Tax Credit Equity	\$1,200,000

Permanent Financing

Source	Amount
HCD - MHP	\$7,000,000
HCD - AHSC	\$5,994,850
HCD - VHHP Capital Tranche	\$4,193,735
HCD - VHHP Operating Tranche	\$3,972,202
AHP	\$1,350,000
General Partner Equity	\$1,100,000
Deferred Developer Fee	\$200,000
Tax Credit Equity	\$13,420,940
TOTAL	\$37,231,727

Determination of Credit Amount(s)

Requested Eligible Basis:	\$30,642,897
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,835,766
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$1,314,580
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.02093

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:	\$30,642,897
Actual Eligible Basis:	\$30,642,897
Unadjusted Threshold Basis Limit:	\$25,050,720
Total Adjusted Threshold Basis Limit:	\$56,614,627

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: 44%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 41%

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 3.30% 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, the March Joint Powers Authority, has completed a site review of this project and strongly supports this project.

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
\$1,314,580	\$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: The applicant/owner is required to provide the tenants with the following service amenities 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:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- Wellness services and programs providing individualized support for tenants on-site

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 TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED)
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes SILVER standard.
- The project will exceed Title 24 Standards for New Construction / Adaptive Reuse by 32.5% of the California Building Code.