

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 15, 2007

Project Number CA-2007-869

Project Name Seasons
Address: 10371 & 10383 Bruceville Road and 7425 Bilby Road
Elk Grove, CA 95758 County: Sacramento

Applicant Information

Applicant: Seasons Apartments, L.P.
Contact: William D. Pennington
Address: 8700 Technology Way
Reno, NV 89521
Phone: (775) 851-6600 Fax: (775) 562-8046
Sponsors Type: Joint Venture

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: November 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$38,597,418
Requested: \$38,597,418
Maximum Permitted: \$71,688,247

Extra Feature Adjustments:
55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,806,359	\$0
Recommended:	\$1,806,359	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 222
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 220 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 45
Number of Units @ or below 60% of area median income: 175

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 One-Bedroom	50%	\$630
124 One-Bedroom	60%	\$756
25 Two-Bedroom	50%	\$756
51 Two-Bedroom	60%	\$907
2 Two-Bedroom	Manager's Unit	\$907

The general partners or principal owners are Hearthstone Housing Foundation and Seasons Associates, LLC.

The project developer is Core Development Management, LLC.

The management services will be provided by American Management Services West, LLC (dba Pinnacle).

The market analysis was provided by M.E. Shay & Co.

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.

Project Financing

Estimated Total Project Cost: \$44,126,480 Per Unit Cost: \$198,768 Construction Cost Per Sq. Foot: \$100

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citigroup	\$23,000,000	Citigroup	\$14,723,982
City of Elk Grove	\$9,100,000	City of Elk Grove	\$9,100,000
GIC Income	\$730,057	GIC Income	\$730,057
Deferred Developer Fee	\$2,500,000	Deferred Developer Fee	\$2,231,395
Investor Equity	\$8,796,423	Investor Equity	\$17,341,046
		TOTAL	\$44,126,480

Determination of Credit Amount(s)

Requested Eligible Basis:	\$38,597,418
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$50,176,643
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,806,359
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$0.9600

Applicant requests and staff recommends annual federal credits of \$1,806,359 based on a qualified basis of \$50,176,643 and a funding shortfall of \$17,341,046.

Cost Analysis and Line Item Review

The requested eligible basis \$38,597,418 is below TCAC's adjusted threshold basis limit \$71,688,247. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% 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 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$1,806,359	\$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.

TCAC makes the 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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

Project Analyst: Anthony Zeto