

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2007 2nd Round Cycle**  
**Tax-Exempt Bond Project with State Credits**  
**September 26, 2007**

**Project Number** CA-2007-870

**Project Name** Huron Plaza  
 Site Address: 16525 South 11<sup>th</sup> Street  
 Huron, CA 93234 County: Fresno  
 Census Tract: 0078.00

**Applicant Information**

Applicant: APD CA HUD 2007, L.P.  
 Contact: David Beacham  
 Address: 1700 Seventh Avenue, Suite 2075  
 Seattle, WA 98101  
 Phone: (760) 557-1480 Fax: (760) 454-2396 email: dab@housingadvisors.com  
 Sponsors Type: Joint Venture

**Information**

Housing Type: At-Risk

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: December 20, 2007  
 Credit Enhancement: None

**Eligible Basis**

Actual: \$6,314,628  
 Requested: \$6,314,628  
 Maximum Permitted: \$22,458,057

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

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$227,327	\$820,902
Recommended:	\$227,327	\$820,902

**Project Information**

Construction Type: Acquisition/ Rehabilitation  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 Total # of Units: 64  
 Total # Residential Buildings: 12

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
 % & No. of Targeted Units: 100% - 64 units  
 55-Year Use/Affordability Restriction: Yes  
 Breakdown by %: 50% @ 50%  
 Number of Units @ or below 50% of area median income: 32  
 Number of Units @ or below 60% of area median income: 32

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b><i>Owner / Management Characteristics</i> Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	4	4
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b><i>Housing Needs</i> Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b><i>Site Amenities</i> Maximum of 15 points</b>	<b>15</b>	<b>9</b>	<b>8</b>
<input checked="" type="checkbox"/> Within ¼ mile of school grounds/facilities open to general public under a JUA	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of public library	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	2	2	2
<b><i>Sustainable Building Methods</i> Maximum of 8 points</b>	<b>8</b>	<b>2</b>	<b>2</b>
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<b><i>Lowest Income</i> Maximum of 52 points</b>	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	25	25
<b><i>Readiness to Proceed</i> Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Total Points</b>	<b>124</b>	<b>73</b>	<b>72</b>

<b><u>Unit Type &amp; Number</u></b>	<b><u>2007 Rents % of Area Median Income</u></b>	<b><u>Proposed Rent (including utilities)</u></b>
12 Two-bedroom units	60%	\$695
16 Three-bedroom units	60%	\$803
4 Four-bedroom units	60%	\$896
12 Two-bedroom units	50%	\$579
16 Three-bedroom units	50%	\$669
4 Four-bedroom units	50%	\$746

The general partner or principal owner APD CA HUD 2007 Management, LLC and Hearthstone Housing Foundation.

The project developer is Allied Pacific Development, LLC.

The management services will be provided by CONAM Management.

The market analysis was provided by Novogradac & Company.

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: \$7,072,992    Per Unit Cost: \$110,516    Construction Cost Per Sq. Foot: \$17

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<b>Source</b>	<b>Amount</b>	<b>Source</b>	<b>Amount</b>
Citibank	\$3,900,000	Citibank	\$3,900,000
Seller Carry-back	\$200,000	Seller Carry-back	\$200,000
Deferred Developer Fee	\$324,539	Deferred Developer Fee	\$185,147
Investor Equity	\$2,648,453	Investor Equity	\$2,787,845
		<b>TOTAL</b>	<b>\$7,072,992</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$1,694,628
Requested Acquisition Eligible Basis:	\$4,620,000
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$1,694,628
Qualified Acquisition Basis:	\$4,620,000
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$61,007
Maximum Annual Federal Acquisition Credit:	\$166,320
Total Maximum Annual Federal Credit:	\$227,327
State Credit Applicable Rate:	13%
Total State Credit:	\$820,902
Approved Developer Fee:	\$441,038
Tax Credit Factor:	\$0.9010 (blended)

Applicant requests and staff recommends annual federal credits of \$227,327, and total state credits of \$820,902, based on a qualified basis of \$6,314,628, and a funding shortfall of \$2,787,845.

**Cost Analysis and Line Item Review**

The requested eligible basis \$6,314,628 is below TCAC’s threshold basis limit \$20,731,374. The basis limit was increased by the following extraordinary features: 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. Project currently exceeds TCAC excess cash flow maximum of 8% of net income or 25% of debt service. Applicant is cautioned that should this condition be present at placed-in-service, federal tax credits will be deducted from the maximum allowable to reduce the cash flow to the TCAC limit.

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:

**\$227,327** Federal/Annual                      **\$820,902** State/Total

**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**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is February 22, 2008, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: gb