

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**September 26, 2007**

**Project Number** CA-2007-879

**Project Name** Cedarwood Apartments  
Address: 24845 Fort Crook Avenue  
Fall River Mills, CA 96028 County: Shasta

**Applicant Information**

Applicant: HPD Cedarwood LP  
Contact: William Rice  
Address: 250 W. Colorado Blvd., Suite 210  
Arcadia, CA 91007  
Phone: (626) 294-9230 Fax: (626) 294-9270  
Sponsors Type: Joint Venture

**Bond Information**

Issuer: CSCDA  
Expected Date of Issuance: October 15, 2007  
Credit Enhancement: None

**Eligible Basis**

Actual: \$4,580,248  
Requested: \$4,580,248  
Maximum Permitted: \$15,094,536

Extra Feature Adjustments:  
Required to Pay Prevailing Wages: 20%   
55-Year Use/Rent Restriction Adjustment: 120%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$164,888	\$0
Recommended:	\$164,888	\$0

**Project Information**

Construction Type: Acquisition and Rehabilitation  
Federal Subsidy: Tax-Exempt/USDA - Rural Development  
HCD MHP Funding: Yes  
Total # of Units: 38  
Total # Residential Buildings: 8

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
% & No. of Targeted Units: 100% - 37 units  
55-Year Use/Affordability Restriction: Yes  
Number of Units @ or below 45% of area median income: 19  
Number of Units @ or below 60% of area median income: 18

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 One-Bedroom	45%	\$444
9 Two-Bedroom	45%	\$533
6 Three-Bedroom	45%	\$616
4 One-Bedroom	60%	\$593
9 Two-Bedroom	60%	\$711
5 Three-Bedroom	60%	\$822
1 Three-Bedroom	Manager's Unit	\$0

The general partners or principal owners are HPD Cedarwood LLC and Hearthstone Housing Foundation.

The project developer is Highland Property Development LLC.

The management services will be provided by MBS Property Management, Inc.

The market analysis was provided by Vogt Williams Bowen.

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: \$5,244,297    Per Unit Cost: \$138,008    Construction Cost Per Sq. Foot: \$52

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Washington Mutual Bank	\$2,690,000	Washington Mutual Bank	\$750,000
USDA – Rural Development	\$1,370,000	USDA – Rural Development	\$1,370,000
Investor Equity	\$893,191	HCD – MHP	\$1,474,000
		Deferred Developer Fee	\$26,313
		Investor Equity	\$1,623,984
		<b>TOTAL</b>	<b>\$5,244,297</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$2,574,648
Requested Acquisition Eligible Basis:	\$2,005,600
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$2,574,648
Qualified Acquisition Basis:	\$2,005,600
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$92,687
Maximum Annual Federal Acquisition Credit:	\$72,201
Total Maximum Annual Federal Credit:	\$164,888
Approved Developer Fee:	\$597,423
Tax Credit Factor:	\$0.9849

Applicant requests and staff recommends annual federal credits of \$164,888, based on a qualified rehabilitation basis of \$2,574,648, a qualified acquisition basis of \$2,005,600, and a funding shortfall of \$1,623,984.

**Cost Analysis and Line Item Review**

The requested eligible basis \$4,580,248 is below TCAC's adjusted threshold basis limit \$15,094,536. 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 and projects that are required to pay state or federal prevailing wages. 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
<b>\$164,888</b>	<b>\$0</b>

**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