

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 23, 2008

Project Number CA-2007-922

Project Name Arborelle Apartments
Address: 8007 Sunrise Blvd.
Citrus Heights, CA 95610 County: Sacramento

Applicant Information

Applicant: Arborelle, L.P., a California Limited Partnership
Contact Gary Freedman
Address: 23622 Calabasas Road, Suite 200
Calabasas, CA 91302-1549
Phone: (818) 223-3500 **Fax:** (818) 223-3501
Sponsors Type: Joint Venture

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: January 24, 2008
Credit Enhancement: No

Eligible Basis

Actual: \$19,392,866
Requested: \$19,392,866
Maximum Permitted: \$57,868,400

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

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$747,735	\$0
Recommended:	\$747,735	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 179
Total # Residential Buildings: 17

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-177 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 36
Number of Units @ or below 60% of area median income: 141

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 One-Bedroom	50%	\$630
45 One-Bedroom	60%	\$756
24 Two-Bedroom	50%	\$756
96 Two-Bedroom	60%	\$907
2 Two-Bedroom	Manager's units	\$0

The general partner(s) or principal owner(s) are Arborelle Apartments 179, LLC and JHC-Arborelle, LLC.

The project developer is West Coast Redevelopers, LLC.

The management services will be provided by Brymarc Management.

The market analysis was provided by M.E. Shay and 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: \$23,365,767 Per Unit Cost: \$130,535 Construction Cost Per Sq. Foot: \$23

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citigroup	\$14,400,000	Citigroup	\$14,400,000
Cash Flow from Operations	\$778,594	Cash Flow from Operations	\$778,594
Investor Equity	\$5,206,886	Deferred Developer Fee	\$710,575
		Investor Equity	\$7,476,598
		TOTAL	\$23,365,767

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$4,591,796
Requested Acquisition Eligible Basis:	\$14,801,070
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,969,335
Qualified Acquisition Basis:	\$14,801,070
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$214,896
Maximum Annual Federal Acquisition Credit:	\$532,839
Total Maximum Annual Federal Credit:	\$747,735
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$.99990

Applicant requests and staff recommends annual federal credits of \$747,735, based on a qualified rehabilitation basis of \$5,969,335, a qualified acquisition basis of \$14,801,070, and a funding shortfall of \$7,476,598. Applicant has been cautioned that should the percentage of General Requirements, Contractor Overhead and Profit exceed 14% of the total Structures and Site costs at placed-in-service, TCAC will reduce total tax credits to bring the project into conformance with this requirement. Additionally, as a condition precedent to issuance of form 8609, at placed-in-service, the accountant will certify as to the rehabilitation items completed up to the placed-in-service date.

Cost Analysis and Line Item Review

The requested eligible basis \$19,392,866 is below TCAC's adjusted threshold basis limit \$57,868,400 . 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
\$747,735	\$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: The applicant/owner is required to provide the tenants with 1) after school programs of an on going nature for a minimum of 10 years; and, 2) educational classes (such as English as a Second Language classes, computer training, etc.) for a minimum of 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.

Project Analyst: g boyd