

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 16, 2008

Project Number CA-2008-814

Project Name Country Club
Address: 201 Country Club Lane
 Oceanside, CA 92054 County: San Diego

Applicant Information

Applicant: Country Club Apartments, L.P.
Contact Kenneth Sauder
Address: 1230 Columbia Street, #950
 San Diego, CA 92101 Fax: (619) 235-5386
Phone: (619) 235-2296
Sponsors Type: Nonprofit

Bond Information

Issuer: City of Oceanside
Expected Date of Issuance: May 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$17,918,157
Requested: \$17,918,157
Maximum Permitted: \$24,184,384

Extra Feature Adjustments:

55-Year Use/Rent Restriction Adjustment: Each 1% of Low-Income Units are Income Targeted
 Between 50% AMI & 36% AMI: 100%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$757,494	\$0
Recommended:	\$757,494	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 91
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 90 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 90

<u>Unit Type & Number</u>	<u>2008 Rents</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
12 Studios	50%	\$613
57 One-Bedrooms	50%	\$658
21 Two-Bedrooms	50%	\$790
1 Two-Bedroom	Manager's Unit	\$1,110

The general partner(s) or principal owner(s) is Country Club Apartments, L.P.

The project developer is Wakeland Housing and Development.

The management services will be provided by The John Stewart Company.

The market analysis was provided by Goldrush Realty Advisors.

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: \$21,381,022 Per Unit Cost: \$234,956 Construction Cost Per Sq. Foot: \$99

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank – Tax Exempt Bonds	\$11,707,272	CCRC	\$3,508,109
City of Oceanside	\$7,600,000	City of Oceanside	\$10,163,097
Deferred Interest	\$228,000	Deferred Interest	\$228,000
Investor Equity	\$748,182	Investor Equity	\$7,481,816
		TOTAL	\$21,381,022

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$10,418,157
Requested Acquisition Eligible Basis:	\$7,500,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$13,543,604
Qualified Acquisition Basis:	\$7,500,000
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$487,494
Maximum Annual Federal Acquisition Credit:	\$270,000
Total Maximum Annual Federal Credit:	\$757,494
Approved Developer Fee:	\$1,200,000
Tax Credit Factor:	\$.98770

Applicant requests and staff recommends annual federal credits of \$757,494, based on a qualified rehabilitation basis of \$13,543,604, a qualified acquisition basis of \$7,500,000, and a funding shortfall of \$7,481,816.

Cost Analysis and Line Item Review

The requested eligible basis \$17,918,157 is below TCAC’s adjusted threshold basis limit \$24,184,384. The basis limit includes the adjustment for extraordinary features for the 100% adjustment for the 55-year use/affordability restriction for projects that have all 100% of the units at 50% of Area Median Income. 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: None

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
\$757,494	\$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 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 **after school programs and educational classes** 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.

Project Analyst: Stephenie Alstrom