

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

Project Number CA-2008-824

Project Name Terracina Apartments
Address: 1825 South Santa Fe Avenue
 San Jacinto, CA 92583 County: Riverside

Applicant Information

Applicant: LINC Housing Corporation
Contact Allison Riley
Address: 110 Pine Avenue, Suite 500
 Long Beach, CA 90802
Phone: (562) 684-1120 **Fax:** (562) 684-1137
Sponsors Type: Nonprofit

Bond Information

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

Eligible Basis

Actual: \$5,968,235
Requested: \$5,968,235
Maximum Permitted: \$11,796,480

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$214,857 \$0
Recommended: \$214,857 \$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/None
HCD MHP Funding: Yes
Total # of Units: 55
Total # Residential Buildings: 4

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 54 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 37

<u>Unit Type & Number</u>	<u>2008 Rents</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
8 Two-Bedrooms	50%	\$544
23 Two-Bedrooms	60%	\$726
9 Three-Bedrooms	50%	\$601
14 Three-Bedrooms	60%	\$848
1 Two-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) is LINC Housing Corporation.

The project developer is LINC Housing Corporation.

The management services will be provided by Pacific West Management.

The market analysis was provided by Prior & Associates.

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: \$6,793,645 Per Unit Cost: \$115,380 Construction Cost Per Sq. Foot: \$26
 Estimated Total Residential Cost: \$6,345,923
 Estimated Total Commercial Cost: \$447,722

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America- Tax Exempt Bonds	\$3,545,550	Bank of America- Tax Exempt Bonds	\$1,074,000
HCD/RHCP	\$1,191,000	HCD/RHCP	\$1,191,000
HCD/RHCP	\$541,905	HCD/RHCP	\$541,905
LINC/City of San Jacinto - Grant	\$407,398	LINC/City of San Jacinto - Grant	\$1,590,000
		Deferred Developer Fee	\$316,906
		Investor Equity	\$2,079,834
		TOTAL	\$6,793,645

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$1,894,492
Requested Acquisition Eligible Basis:	\$4,073,743
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$1,894,492
Qualified Acquisition Basis:	\$4,073,743
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$68,202
Maximum Annual Federal Acquisition Credit:	\$146,655
Total Maximum Annual Federal Credit:	\$214,857
Approved Developer Fee:	\$778,466
Tax Credit Factor:	\$.96800

Applicant requests and staff recommends annual federal credits of \$214,857, based on a qualified rehabilitation basis of \$1,894,492, a qualified acquisition basis of \$4,073,743, and a funding shortfall of \$2,079,834.

Cost Analysis and Line Item Review

The requested eligible basis \$5,968,235 is below TCAC's adjusted threshold basis limit \$11,796,480. The basis limit includes no adjustments for extraordinary features. 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
\$214,857	\$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 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.