

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 28, 2008
REVISED

Project Number CA-2008-833

Project Name Desert Oaks / Hudson Park I & II

Address: Desert Oaks
2870 Oak Creek Road
Mojave, CA 93501

Hudson Park I & II
431 E. Euclid Avenue / 431 E. Ash Avenue
Shafter, CA 93263 County: Kern

Applicant Information

Applicant: Kern 2008 Community Partners, LP
Contact Wilfred N. Cooper, Jr.
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: (714) 662-5565
Sponsors Type: Joint Venture

Fax: (714) 662-6834

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: July 2008
Credit Enhancement: No

Eligible Basis

Actual: \$10,007,972
Requested: \$10,007,972
Maximum Permitted: \$32,540,988

Extra Feature Adjustments:
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 32%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$360,287	\$0
Recommended:	\$360,287	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 126
Total # Residential Buildings: 15

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 123 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 39
Number of Units @ or below 60% of area median income: 84

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Desert Oaks:</u>		
4 One-Bedroom	48%	\$483
10 One-Bedroom	57%	\$577
7 Two-Bedroom	48%	\$580
14 Two-Bedroom	57%	\$695
2 Three-Bedroom	48%	\$669
4 Three-Bedroom	57%	\$797
1 Two-Bedroom	Manager's Unit	\$0
<u>Hudson Park I & II:</u>		
4 One-Bedroom	48%	\$483
6 One-Bedroom	57%	\$577
4 One-Bedroom	57%	\$578
17 Two-Bedroom	48%	\$580
20 Two-Bedroom	57%	\$687
17 Two-Bedroom	57%	\$695
5 Three-Bedroom	48%	\$669
2 Three-Bedroom	57%	\$793
7 Three-Bedroom	57%	\$795
2 Two-Bedroom	Manager's Units	\$0

The general partner(s) or principal owner(s) are Kern 2008 Partners, LLC.

The project developer is WNC CPP, LLC.

The management services will be provided by Valley Fair Realty Corporation.

The market analysis was provided by Lea & Company.

The Local Reviewing Agency, the Housing Authority of the County of Kern, has completed a site review of this project and supports this project.

Project Financing

Estimated Total Project Cost: \$11,572,247 Per Unit Cost: \$91,843 Construction Cost Per Sq. Foot: \$21
 Construction Financing Permanent Financing

Source	Amount	Source	Amount
US Bank - Tax Exempt Bonds	\$5,500,000	US Bank - Tax Exempt Bonds	\$3,350,000
USDA Rural Development	\$4,547,292	USDA Rural Development	\$4,547,292
Existing Reserves	\$269,072	Existing Reserves	\$269,072
Deferred Developer Fee	\$82,336	Deferred Developer Fee	\$82,336
Investor Equity	\$1,173,648	Investor Equity	\$3,323,547
		TOTAL	\$11,572,247

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,130,972
Requested Acquisition Eligible Basis:	\$6,877,000
130% High Cost Adjustment:	No
Qualified Rehabilitation Basis:	\$3,130,972
Qualified Acquisition Basis:	\$6,877,000
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$112,715
Maximum Annual Federal Acquisition Credit:	\$247,572
Total Maximum Annual Federal Credit:	\$360,287
Approved Developer Fee:	\$1,305,388
Tax Credit Factor: WNC & Associates	\$0.9225

Applicant requests and staff recommends annual federal credits of \$360,287, based on a qualified rehabilitation basis of \$3,130,972, a qualified acquisition basis of \$6,877,000, and a funding shortfall of \$3,323,547.

Cost Analysis and Line Item Review

The requested eligible basis \$10,007,972 is below TCAC's adjusted threshold basis limit \$32,469,138. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. The project includes 39 units between 50% AMI and 36% AMI, 32% of the project's total low income 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: This application was originally submitted and reviewed by staff as a scattered site project. Due to the distance between Desert Oaks and Hudson Park I & II (approximately 70 miles), we are now recommending that the application be considered as two separate projects. As a result, it is recommended that the applicant be awarded tax credits subject to a separation into two project sites. This award would also be contingent upon receipt of additional documentation from the applicant and contingent upon each project qualifying separately under applicable TCAC regulations. TCAC staff will notify the Committee of any issues impacting the award that may arise from this process.

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
\$360,287	\$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: None

Project Analyst: GF