

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2008 Second Round Cycle
October 8, 2008**

Project Number CA-2008-177

Project Name Kearney Palms Senior Apartments, Phase II
Site Address: 14606 West Kearney Boulevard
Kerman, CA 93630 County: Fresno
Census Tract: 0040.00

Applicant Information

Applicant: WP Kearney Palms Senior Apartments Phase II, L.P.
Contact: Amelia Ross
Address: 310 North Westlake Boulevard, Suite 210
Westlake Village, CA 91362
Phone: (805) 379-8555 Fax: (805) 379-8556
Email: aross@willowpartners.com
General Partners Type: Joint Venture

Information

Set-Aside: Rural
Housing Type: Seniors
Geographic Area: N/A

Eligible Basis

Requested: \$3,377,534
Actual: \$3,682,559
Maximum Permitted: \$3,377,534

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages Local Development Impact Fees
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$264,799	\$992,995
Recommended:	\$264,799	\$992,995

Project Information

Construction Type: New Construction
Federal Subsidy: HOME
Total # of Units: 20
Total # Residential Buildings: 3

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 20 units
Breakdown by %: 10% @ 30%, 15% @ 45%, 50% @ 50%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency/Credit Reduction/Public Funds Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
Owner / Management Characteristics Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Negative Points			
Housing Needs Maximum 10 points	10	10	10
Site Amenities Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within 500 feet of a regular bus stop or rapid transit system stop	4	4	4
<input checked="" type="checkbox"/> Rural project within ½ mile of public library	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of a full-scale grocery store w/staples/fresh meat/produce	3	3	3
<input checked="" type="checkbox"/> Rural Senior project within ½ mile of daily operated senior center or facility for seniors	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of a pharmacy	1	1	1
Service Amenities Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc.)	5	5	5
<input checked="" type="checkbox"/> Direct client services where a contract is in place at the time of application	5	5	5
Sustainable Building Methods Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
Lowest Income Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum 20 points	20	20	20
State credit substitution Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Seniors**

Second: Calculated Ratio per Regulation 10325(c)(12) **74.926%**

<u>Unit Type & Number</u>	<u>2008 Rents for 2nd Round 2008</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
1 One-bedroom Unit	30%	\$302
1 Two-bedroom Unit	30%	\$363
3 One-bedroom Units	45%	\$453
10 One-bedroom Units	50%	\$504
2 One-bedroom Units	60%	\$605
3 Two-bedroom Units	60%	\$690
N/A Two-bedroom Unit	Manager's Unit - Located in Phase I	N/A

The general partners or principal owners are WP Kearney Court Phase II, LLC and Better Opportunity Builders.

The project developer is Willow Partners, LLC.

The management agent is GSF Properties, Inc.

The market analyst is Novogradac & Company, LLP

The Local Reviewing Agency, the city of Kerman, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$5,027,802 Per Unit Cost: \$251,390 Construction Cost Per Sq. Foot: \$183

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
SunAmerica Affordable Housing	\$2,200,000	SunAmerica Affordable Housing	\$615,414
City of Kerman RDA – Fee Waiver	\$175,000	City of Kerman RDA – Fee Waiver	\$175,000
County of Fresno – HOME	\$200,000	County of Fresno – HOME	\$500,000
FHLB – AHP	\$300,000	FHLB – AHP	\$300,000
Deferred Developer Fee	\$317,040	Deferred Developer Fee	\$260,000
Investor Equity	\$1,835,762	Investor Equity	\$3,177,388
		TOTAL	\$5,027,802

Determination of Credit Amount(s)

Requested Eligible Basis:	\$3,377,534
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$67,551
Qualified Basis:	\$3,309,983
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$264,799
Total State Credit:	\$992,995
Approved Developer Fee in Project Cost:	\$520,000
Approved Developer Fee in Eligible Basis:	\$520,000
Tax Credit Factor: City Real Estate Advisors, Inc.	\$0.8726

Applicant requests and staff recommends annual federal credits of \$264,799 and total state credits of \$992,995, based on a qualified basis of \$3,309,983 and a funding shortfall of \$3,177,388.

Cost Analysis and Line Item Review

The requested eligible basis \$3,377,534 equals TCAC’s threshold basis limit \$3,377,534. The basis limit was increased by the following extraordinary feature: projects that are required to pay state or federal prevailing wages, local development impact fees, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items for exceeding Title 24 by at least 15%, using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used, and using CRI Green Label Plus Carpet or no carpet in all bedrooms. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations.

Annual operating expenses **equal** 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 **8.00%** of the qualified basis.. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: This 20-unit project is the second phase built adjacent to an existing tax-credit Senior project, CA-2004-812. The projects will share the community facilities in phase I, CA-2004-812.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Recommendation: Staff recommends that the Committee make a preliminary 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
\$264,799	\$992,995

Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary 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 as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of **federal credit and state credit shown** above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Jack Waegell