CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 Second Round Cycle
Tax-Exempt Bond Project with State Credits
October 8, 2008
REVISED

Project Number	CA-2008-908	
Project Name	Mountain View Apartments	
Site Address:	488 East 15th Street	
	Beaumont, CA 92223	County: Riverside
Census Tract:	438.07	

Applicant Information

Applicant:	Beaumont CA Leased Housing Associates I, Limited Partnership	
Contact	Jeff Huggett	
Address:	2355 Polaris Lane North, Suite 100	
	Plymouth, MN 55447	
Phone:	(763) 354-5605	Fax: (763) 354-5650
Sponsors Type:	Joint Venture	

Information

Housing Type: At-Risk

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	November 1, 2008
Credit Enhancement:	CalHFA Guaranteed Bond

Eligible Basis

Actual:	$10,537,639
Requested:	$10,537,639
Maximum Permitted:	$33,056,102

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20% ☒
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 65% ☒
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$368,817	$1,369,893
Recommended:	$368,817	$1,369,893

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HUD Section 8
HCD MHP Funding: Yes
Total # of Units: 80
Total # Residential Buildings: 11

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 79 units
55-Year Use/Affordability Restriction: Yes
Breakdown by %: 10% @ 30%, 15% @ 45%, 50% @ 50%
Number of Units @ or below 30% of area median income: 8
Number of Units @ or below 45% of area median income: 12
Number of Units @ or below 50% of area median income: 40
Number of Units @ or below 60% of area median income: 19

Selection Criteria	**Max. Possible Points**	**Requested Points**	**Points Awarded**
Owner/Management Characteristics **Maximum of 9 points**	***9***	***9***	***9***
☒ General Partner Experience	*6*	*6*	*6*
☒ Management Experience	*3*	*3*	*3*
Housing Needs **Maximum of 10 points**	***10***	***10***	***10***
Site Amenities **Maximum of 15 points**	***15***	***15***	***12***
☒ Within ¼ mile of transit stop with service every 30 minutes during rush hours	*6*	*6*	*0*
☒ Within 500 feet of a bus stop	*4*	*4*	*4*
☒ Within ½ mile of public park or community center open to general public	*2*	*2*	*2*
☒ Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	*4*	*4*	*4*
☒ Large Family project within ½ mile of public school that project children may attend	*2*	*2*	*0*
☒ Within ¼ mile of a pharmacy	*2*	*2*	*2*
Service Amenities **Maximum of 10 points**	***10***	***5***	***5***
☒ High speed internet service provided in each unit	5	*5*	*5*
Sustainable Building Methods **Maximum of 8 points**	***8***	***8***	***8***
☒ Rehabilitation project that increases energy efficiency 25% above existing efficiency	4	*4*	*4*
☒ Flow restrictors for kitchen & bath faucets or water-saving fixtures	*1*	*1*	*1*
☒ Formaldehyde free cabinets, countertops and shelving	*1*	*1*	*1*
☒ No-VOC interior paint	*1*	*1*	*1*
☒ Formaldehyde-free insulation	*1*	*1*	*1*
☒ Recycled materials incorporated into: concrete, carpet, road base or landscape	*1*	*1*	*1*
☒ Project has nonsmoking buildings or contiguous sections within a building	*1*	*1*	*1*
Lowest Income **Maximum of 52 points**	***52***	***52***	***52***
☒ Basic Targeting	*50*	*50*	*50*
☒ Deeper Targeting – at least 10% of units @ 30% AMI or less	*2*	*2*	*2*
Readiness to Proceed **Maximum of 20 points**	***20***	***20***	***20***
Total Points	***124***	***119***	***116***

Unit Type & Number		2008 Rents % of Area Median Income	Proposed Rent (including utilities)
1	One-Bedroom Units	30%	$374
2	One-Bedroom Units	45%	$561
13	One-Bedroom Units	50%	$624
4	Two-Bedroom Units	30%	$449
10	Two-Bedroom Units	45%	$673
12	Two-Bedroom Units	50%	$748
13	Two-Bedroom Units	60%	$898
3	Three-Bedroom Units	30%	$519
15	Three-Bedroom Units	50%	$865
6	Three-Bedroom Units	60%	$1,038
1	Two-Bedroom Units	Manager's Unit	$862

The general partners or principal owners are Beaumont CA Leased Housing Associates I, LLC and Central Valley Coalition for Affordable Housing.

The project developer is Beaumont CA Leased Housing Development I, LLC.

The management services will be provided by Dominium Management Services, Inc.

The market analysis was provided by Novogradac & Company, LLP.

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

Project Financing

Estimated Total Project Cost: $12,920,774 Per Unit Cost: $161,510 Construction Cost Per Sq. Foot: $38

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
CalHFA Bridge Loan	$6,685,000	CalHFA 1st Mortgage	$1,560,000
CalHFA 2nd Mortgage	$3,380,000	CalHFA 2nd Mortgage	$3,380,000
Income from Operations	$200,000	HCD-MHP	$2,960,000
Reserves from Seller	$152,921	Reserves from Seller	$152,921
Investor Equity	$814,640	Income from Operations	$200,000
		Deferred Developer Fee	$594,653
		Investor Equity	$4,073,200
		TOTAL	**$12,920,774**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$4,352,269
Requested Acquisition Eligible Basis:	$6,185,370
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$4,352,269
Qualified Acquisition Basis:	$6,185,370
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$152,329
Maximum Annual Federal Acquisition Credit:	$216,488
Total Maximum Annual Federal Credit:	$368,817
State Credit Applicable Rate:	13%
Total State Credit:	$1,369,893
Approved Developer Fee in Project Cost:	$1,451,312
Approved Developer Fee:	$862,229
Tax Credit Factor: *Alliant Capital*	$0.80528

Applicant requests and staff recommends annual federal credits of $368,817 and total state credits of $1,369,893, based on a qualified rehabilitation basis of $4,352,269, a qualified acquisition basis of $6,185,370, and a funding shortfall of $4,073,200.

Cost Analysis and Line Item Review

The requested eligible basis $10,537,639 is below TCAC's adjusted threshold basis limit $33,056,102. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitation with exception of the distribution of the developer fee in eligible basis between rehabilitation and acquisition. Please refer to the "Special Issues/Other Significant Information" section of the staff report for further details.

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 3.50% 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 distribution of the developer fee cost in basis between rehabilitation basis and acquisition basis was in excess of the limit on the rehabilitation basis side required by regulation. The acquisition and rehabilitation basis were adjusted accordingly in order to meet the limits required by regulation. The change did not affect the total developer fee in eligible basis or the amount of credits recommended.

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
$368,817	**$1,369,893**

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

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