

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 27, 2009**

**Project Number** CA-2009-800

**Project Name** Sunnyslope Apartments  
**Address:** 6947 Mohawk Trail  
Yucca Valley, CA 92284

**County:** San Bernardino

**Applicant Information**

**Applicant:** HPD Sunnyslope LLC  
**Contact** William E. Rice  
**Address:** 250 W. Colorado Boulevard  
Arcadia, CA 91007  
**Phone:** (626) 294-9230  
**Email:** b.rice@highlandcompanies.com  
**Sponsors Type:** Joint Venture

**Fax:** (626) 294-9270

**Information**

**Housing Type:** Non-Targeted

**Bond Information**

**Issuer:** CSCDA  
**Expected Date of Issuance:** March 2009  
**Credit Enhancement:** None

**Eligible Basis**

**Actual:** \$3,206,977  
**Requested:** \$3,206,977  
**Maximum Permitted:** \$8,241,136

**Extra Feature Adjustments:**

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 10 Units

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$126,267	\$0
Recommended:	\$126,267	\$0

**Project Information**

**Construction Type:** Rehabilitation and Acquisition  
**Federal Subsidy:** Tax-Exempt/USDA RD  
**HCD MHP Funding:** No  
**Total # of Units:** 33  
**Total # Residential Buildings:** 6

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
 % & No. of Targeted Units: 100% - 32 units  
 55-Year Use/Affordability Restriction: Yes  
 Number of Units @ or below 50% of area median income: 10  
 Number of Units @ or below 60% of area median income: 22

<u>Unit Type &amp; Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 One-Bedroom	50%	\$562
9 One-Bedroom	60%	\$562
3 Two-Bedroom	50%	\$662
7 Two-Bedroom	60%	\$662
3 Three-Bedroom	50%	\$818
6 Three-Bedroom	60%	\$818
1 Three-Bedroom	Manager's Unit	\$0

The general partners or principal owners are National Housing Corporation, Inc. and HPD Sunnyslope LLC.

The project developer is Highland Property Development.

The management services will be provided by Hyder Property Management.

The market analysis was provided by Vogt, Williams, & Bowen.

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: \$3,729,405 Per Unit Cost: \$113,012 Construction Cost Per Sq. Foot: \$31

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual - TE Bonds	\$2,000,000	Washington Mutual - TE Bonds	\$1,500,000
USDA - Rural Development	\$1,243,000	USDA - Rural Development	\$1,243,000
Private Investor Equity	\$378,802	Deferred Developer Fee	\$39,400
		Private Investor Equity	\$947,005
		<b>TOTAL</b>	<b>\$3,729,405</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$1,336,801
Requested Acquisition Eligible Basis:	\$1,870,176
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$1,737,841
Qualified Acquisition Basis:	\$1,870,176
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$60,811
Maximum Annual Federal Acquisition Credit:	\$65,456
Total Maximum Annual Federal Credit:	\$126,267
Approved Developer Fee:	\$418,301
Tax Credit Factor: <i>Highland Property Development</i>	\$0.75

Applicant requests and staff recommends annual federal credits of \$126,267, based on a qualified rehabilitation basis of \$1,737,841, a qualified acquisition basis of \$1,870,176, and a funding shortfall of \$947,005.

### Cost Analysis and Line Item Review

The requested eligible basis \$3,206,977 is below TCAC's adjusted threshold basis limit \$8,241,136. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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 3.50% 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 developer has chosen to purchase the tax credits themselves. This is due to a substantially low investor interest in rural projects.

**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
<b>\$126,267</b>	<b>\$0</b>

### 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 high speed internet service 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: David Navarrette