CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 8, 2009

Project Number CA-2009-818

Project Name Desert View Apartments
Address: 18414 Jonathan Street
Adelanto, CA 92301 County: San Bernardino

Applicant Information

Applicant:	RC Investment Group, L.P.
Contact	Janae Smith
Address:	3940-7 Broad Street San Luis Obispo, CA 93401
Phone:	(530) 823-7834 Fax: (530) 823-7834
Email:	mjmsmith0412@sbcglobal.net
Sponsors Type:	Joint Venture

Information
Housing Type: At-Risk

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	August 1, 2009
Credit Enhancement:	N/A

Eligible Basis

Actual:	$2,604,915
Requested:	$2,604,915
Maximum Permitted:	$8,394,480

Extra Feature Adjustments:
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 31%

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$104,331	$0
Recommended:	$104,331	$0

Project Information

Construction Type:	Acquisition and Rehabilitation
Federal Subsidy:	Tax-Exempt/USDA
HCD MHP Funding:	No
Total # of Units:	30
Total # Residential Buildings:	13

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 29 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 9
Number of Units @ or below 60% of area median income: 20

2009 Rents

Unit Type & Number	**% of Area Median Income**	**Proposed Rent** (including utilities)
9 Two-Bedroom	50%	$582
20 Two-Bedroom	60%	$582
1 Two-Bedroom	Managers Unit	$0

The general partner(s) or principal owner(s) is RC – 2009, LLC and Quality Housing Development Corporation

The project developer is Bettencourt Properties

The management services will be provided by AWI Management Corporation

The market analysis was provided by PGP Valuation, Inc.

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

Project Financing

Estimated Total Project Cost: $3,087,395 Per Unit Cost: $102,913 Construction Cost Per Sq. Foot: $18

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bonneville Multifamily – Tax-Exempt	$1,475,000	Bonneville Multifamily– Tax-Exempt	$940,000
USDA RD Loan	$560,149	USDA RD Loan	$560,149
Deferred Developer Fee	$155,799	Deferred Developer Fee	$214,154
RD Reserves	$44,637	RD Reserves	$44,637
Seller Carryback	$500,000	Seller Carryback	$500,000
Investor Equity	$293,455	Investor Equity	$828,455
		TOTAL	**$3,087,395**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$1,253,245
Requested Acquisition Eligible Basis:	$1,351,670
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$1,629,218
Qualified Acquisition Basis:	$1,351,670
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$57,023
Maximum Annual Federal Acquisition Credit:	$47,308
Total Maximum Annual Federal Credit:	$104,331
Approved Developer Fee:	$339,771
Tax Credit Factor: *WNC & Associates*	$.85

Applicant requests and staff recommends annual federal credits of $104,331, based on a qualified rehabilitation basis of $1,629,218, a qualified acquisition basis of $1,351,670, and a funding shortfall of $828,455.

Cost Analysis and Line Item Review
The requested eligible basis $2,604,915 is below TCAC's adjusted threshold basis limit $8,394,480. The basis limit includes the adjustment for extraordinary features for the 55-year use/affordability restriction for projects 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 syndicator letter and budget are built on a tax credit factor of $0.85 which, according to the syndicator and developer, has gap financing built in as an assumption. The project does not have these funds committed at this point and must compete for them in the future.

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
$104,331	**$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: DC Navarrette