

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2009 Single Round
September 10, 2009**

Project Number CA-2009-038

Project Name Lindsay Apartments
Site Address: 470 E. Honolulu Street & 115 S. Locke Street
Lindsay, CA 93247 County: Tulare
Census Tract: 0028.00

Applicant Information

Applicant: Honolulu Street Partners LP
Contact: David Michael
Address: 2020 W. Kettleman Lane
Lodi, CA 95242
Phone: 209-334-6565 x.2222 Fax: 209-334-3712
Email: dmichael@pamcompanies.com
General Partner Type: Joint Venture

Information

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

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$789,102	\$0
Recommended:	\$789,102	\$0

Project Information

Construction Type: Acquisition & Rehabilitation
Federal Subsidy: USDA
Total # of Units: 60
Total # Residential Buildings: 5
Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 59 units

Eligible Basis

Requested: \$6,415,476
Actual: \$7,743,476
Maximum Permitted: \$11,095,933

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages
Local Development Impact Fees

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Cost Efficiency	20	29	0
<input checked="" type="checkbox"/> Credit Reduction	20	0	0
<input checked="" type="checkbox"/> Public Funds	20	24	20
<i>Owner / Management Characteristics</i> 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
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> 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 park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Rural project within ½ mile of public library	3	3	3
<input checked="" type="checkbox"/> Rural project within ½ mile of a full-scale grocery store w/staples/fresh meat/produce	4	4	4
<input checked="" type="checkbox"/> Rural Large Family project within ½ mile of public school project children may attend	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of a pharmacy	1	1	1
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
<input checked="" type="checkbox"/> Project is located in a QCT that contributes to a community revitalization plan	1	1	1
<i>Lowest Income</i> 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
<i>Readiness to Proceed</i> Maximum 20 points	20	20	20
<i>State Credit Substitution</i> Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **At-Risk**
Second: Calculated Ratio per Regulation 10325(c)(10) **42.442%**

<u>Unit Type & Number</u>	<u>2009 Rents</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
2 One-bedroom Units	29%	\$302
6 One-bedroom Units	44%	\$453
15 One-bedroom Units	49%	\$504
5 One-bedroom Units	58%	\$604
2 Two-bedroom Units	29%	\$363
6 Two-bedroom Units	44%	\$544
15 Two-bedroom Units	49%	\$605
5 Two-bedroom Units	58%	\$726
2 Three-bedroom Units	29%	\$419
1 Three-bedroom Unit	58%	\$838
1 Three-bedroom Unit	Manager's Unit	\$0

The general partner(s) or principal owner(s) are Locke Street, LLC and Community Revitalization and Development Corporation.

The project developer is PAM Development, Inc..

The management agent is Professional Apartment Management, Inc.

The market analyst is Lea & Company.

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: \$8,780,891 Per Unit Cost: \$146,348 Construction Cost Per Sq. Foot: \$92

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Chase JP Morgan	\$4,260,691	Bonneville Mortgage	\$1,121,000
Bonneville Mortgage	\$1,008,900	USDA Transfer & Assumption	\$936,174
USDA Transfer & Assumption	\$936,174	USDA 55 MPR	\$1,200,000
ISDA 515 MPR	\$1,200,000	Tax Credit Equity	\$5,523,716
Deferred Developer Fee	\$546,568		
Equity Proceeds	\$828,557		
		TOTAL	\$8,780,890

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,415,476
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,328,000
Applicable Fraction:	100%
Qualified Basis (Rehabilitation):	\$8,340,119
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$1,328,000
Applicable Rate:	3.50%
Maximum Annual Federal Credit, Rehabilitation:	\$743,097
Maximum Annual Federal Credit, Acquisition:	\$46,005
Total Maximum Annual Federal Credit:	\$789,102
Total State Credit:	\$0
Approved Developer Fee:	\$896,569
Investor:	WNC & Associates
Tax Credit Factor:	\$0.70000

Applicant requests and staff recommends annual federal credits of \$789,102 and total state credits of \$0, based on a qualified basis of \$9,668,119 and a funding shortfall of \$5,523,717.

Cost Analysis and Line Item Review

The requested eligible basis \$6,415,476 is below TCAC's threshold basis limit \$11,095,933. The basis limit was increased by the following extraordinary features: projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, local development impact fees. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.50%. 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: None

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
\$789,102	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), 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 twelve (12) 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 and allocation fees must be paid by cashier's check within the time periods specified in the 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)(6) 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 **February 8, 2010**, 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: Benjamin Schwartz