

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Project Number CA-2009-103

Project Name River Canyon Apartments
Site Address: 34290, 34320, and 34350 Corregidor Drive
Cathedral City, CA 92234 County: Riverside
Census Tract: 0449.16

Applicant Information

Applicant: Cathedral Family Housing Partners, L.P.
Contact: Lorna Contreras
Address: 9065 Haven Avenue, Suite 100
Rancho Cucamonga, CA 91739
Phone: (909) 291-1400 x 117 Fax: (909) 291-1401
Email: lcontreras@nationalcore.org
General Partner Type: Nonprofit

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: Inland Empire

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,002,538	\$0
Recommended:	\$1,002,538	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: HOME
Total # of Units: 60
Total # Residential Buildings: 9
Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 59 units

Eligible Basis

Requested: \$8,569,561
Actual: \$12,415,799
Maximum Permitted: \$13,240,933

Adjustments to Threshold Basis Limit:

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"/> Public Funds	20	30	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 ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	0
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Large Family project within ¼ mile of public school that project children may attend	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	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"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input checked="" type="checkbox"/> Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
<input checked="" type="checkbox"/> Project design incorporates Universal Design	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	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 **Large Family**
Second: Calculated Ratio per Regulation 10325(c)(10) **54.681%**

Unit Type & Number	2009 Rents % of Area Median Income (rounded)	Proposed Rent (including utilities)
2 Two-bedroom Units	30%	\$449
4 Two-bedroom Units	45%	\$673
26 Two-bedroom Units	50%	\$748
9 Two-bedroom Units	55%	\$823
4 Three-bedroom Units	30%	\$519
5 Three-bedroom Units	45%	\$779
4 Three-bedroom Units	50%	\$865
5 Three-bedroom Units	55%	\$951
1 Three-bedroom Units	Manager's Unit	\$0

The general partner or principal owner is The Southern California Housing Development Corporation of the Inland Empire.

The project developer is National CORE.

The management agent is National CORE.

The market analyst is Novogradac & 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: \$15,526,287 Per Unit Cost: \$258,771 Construction Cost Per Sq. Foot: \$136

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase Bank	\$7,657,545	CCRC	\$1,446,595
Cathedral City RDA	\$4,006,162	Cathedral City RDA	\$4,006,162
Investor Equity	\$2,519,348	HOME Loan	\$750,000
		Developer Equity	\$1,770,000
		Deferred Developer Fee	\$235,000
		Investor Equity	\$7,318,530
		TOTAL	\$15,526,287

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,569,561
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$11,140,429
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$1,002,639
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor:	Hudson Housing Capital
Federal Tax Credit Factor:	\$.73

Cost Analysis and Line Item Review

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. TCAC's financial evaluation at project completion will determine the final allocation. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitation with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues/Other Significant Information section of this report below.

Special Issues/Other Significant Information: The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

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 Tax Credits/Annual	State Tax Credits/Total
\$1,002,538	\$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: DC Navarrette