

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 26, 2010

Project Number CA-2010-816

Project Name Casa Grande Apartments
 Site Address: 3100 E Whitmore Avenue
 Ceres CA 95307 County: Stanislaus
 Census Tract: 06099-0026.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$690,099	\$0
Recommended:	\$690,099	\$0

Applicant Information

Applicant: Grande, LP
 Contact: Jey Samuel
 Address: 2090 N. Tustin Avenue, Suite 250-B
 Santa Ana CA 92705
 Phone: (714) 547-7721 Fax: (714) 547-0751
 Email: jsamuel@icaff.org

General partner or principal owner: Intercontinental Affordable Housing, Inc
 General Partner Type: Nonprofit
 Developer: Intercontinental Affordable Housing, Inc
 Investor/Consultant: International Finance, LLC
 Management Agent: Genessy Mgmt & Dev, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 14
 Total # of Units: 100
 No. & % of Tax Credit Units: 99 100%
 Federal Set-Aside Elected: 40%/60% Test
 Federal Subsidy: Tax-Exempt/HUD Section 8 (100% - 100 units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 80
 Number of Units @ or below 60% of area median income: 19

Information

Housing Type: At-Risk
 TCAC Project Analyst: Elaine Johnson

Bond Information

Issuer: Red Stone Partners
 Expected Date of Issuance: 6/1/2010
 Credit Enhancement: N/A

Unit Mix

0 SRO/Studio Units
8 1-Bedroom Units
36 2-Bedroom Units
52 3-Bedroom Units
4 4-Bedroom Units
<hr/> 100 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	50%	50%	\$557
29 2 Bedrooms	50%	50%	\$668
42 3 Bedrooms	50%	50%	\$773
3 4 Bedrooms	50%	50%	\$861
2 1 Bedroom	60%	60%	\$668
7 2 Bedrooms	60%	60%	\$803
9 3 Bedrooms	60%	60%	\$929
1 4 Bedrooms	60%	60%	\$1,034
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,290

Project Financing

Estimated Total Project Cost:	\$23,497,015	Construction Cost Per Square Foot:	\$33
		Per Unit Cost:	\$234,970

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Red Stone Partners	#####	Red Stone Partners	\$11,000,000
Willow (Ceres) Apartments, A CA LP	#####	Willow (Ceres) Apts, A CA LP	\$4,500,000
Bond Interest Income	\$486,652	Bond Interest Income	\$486,652
Intercontinental Affordable Housing Inc	#####	Intercontinental Affordable Housing I	\$179,670
City of Ceres	#####	City of Ceres	\$2,500,000
International Finance	#####	Tax Credit Equity	\$4,830,693
		TOTAL	\$23,497,015

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,921,671
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$16,552,043
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,921,671
Qualified Basis (Acquisition):	\$16,552,043
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$127,330
Maximum Annual Federal Credit, Acquisition:	\$562,769
Total Maximum Annual Federal Credit:	\$690,099
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor /Consultant:	International Finance, LLC
Federal Tax Credit Factor:	\$0.70000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$21,473,714
Actual Eligible Basis:	\$21,473,714
Unadjusted Threshold Basis Limit:	\$23,346,868
Total Adjusted Threshold Basis Limit:	\$42,958,237

Adjustments to Basis Limit:

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 80%

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 3.40% 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: None

Local Reviewing Agency:

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.

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
\$690,099

State Tax Credits/Total
\$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 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 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 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.

Additional Conditions: The applicant/owner is required to provide the tenants with high speed internet and educational classes free of charge 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: Energy Star rated ceiling fans in all bedrooms and living rooms; or use of a whole house fan; or use of an economizer cycle on mechanically cooled HVAC systems; At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill or landscape amendments (30%); Either a) or b) as follows: a) flow restrictors on kitchen faucets (2 gallons per minute or less) and bathroom faucets (1.5 gallons per minute or less) or b) at least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit.