

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
October 19, 2011**

**REVISED**

**Project Number** CA-2011-914

**Project Name** California Terrace  
**Site Address:** 21501 Lakeshore Drive  
California City, CA 93505 County: Kern  
**Census Tract:** 55.050

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$80,946	\$0
Recommended:	\$80,946	\$0

**Applicant Information**

**Applicant:** KC Investment Group, L.P.  
**Contact:** Ronald D. Bettencourt  
**Address:** 670 Auburn Folsom Rd., Suite. 106, PMB 101  
Auburn, CA 95603  
**Phone:** (530) 745-9990 **Fax:** (530) 745-9962  
**Email:** whitecapcoastal@sbcglobal.net

**General partner(s) or principal owner(s):** Bettencourt Properties, Inc.  
The Beneficial Housing Foundation

**General Partner Type:** Joint Venture  
**Developer:** WNC Community Preservation Partners, LLC  
**Investor/Consultant:** WNC & Associates  
**Management Agent:** AWI Management Corporation

**Project Information**

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 9  
**Total # of Units:** 32  
**No. & % of Tax Credit Units:** 31 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** Tax-Exempt / USDA Existing Loan and Rental Assistance (31 units - 100%)  
**HCD MHP Funding:** No  
**55-Year Use/Affordability:** Yes  
**Number of Units @ or below 50% of area median income:** 10  
**Number of Units @ or below 60% of area median income:** 21

**Bond Information**

**Issuer:** California Municipal Finance Authority  
**Expected Date of Issuance:** 11/01/11  
**Credit Enhancement:** USDA RHS 538 Guaranteed Rural Rental Housing Program

**Information**

Housing Type: At-Risk  
 Geographic Area: Central Region  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

24 2-Bedroom Units  
 8 3-Bedroom Units  


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 32 Total Units

<b>Unit Type &amp; Number</b>	<b>2011 Rents Targeted % of Area Median Income</b>	<b>2011 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
8 2 Bedrooms	50%	47%	\$610
2 3 Bedrooms	50%	50%	\$743
15 2 Bedrooms	60%	47%	\$610
6 3 Bedrooms	60%	54%	\$796
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$2,932,495      Construction Cost Per Square Foot: \$25  
 Per Unit Cost: \$91,640

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Rabobank, N.A.	\$1,335,000	Bonneville Multifamily Capital	\$800,000
USDA Rural Development	\$1,218,966	USDA Rural Development	\$1,218,966
Cash Flow from Operations	\$29,025	Cash Flow from Operations	\$29,025
Existing Replacement Reserves	\$148,018	Existing Replacement Reserves	\$148,018
Deferred Developer Fee	\$117,756	Deferred Developer Fee	\$97,078
Tax Credit Equity	\$83,730	Tax Credit Equity	\$639,408
		<b>TOTAL</b>	<b>\$2,932,495</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation): \$1,067,513  
 130% High Cost Adjustment: No  
 Requested Eligible Basis (Acquisition): \$1,313,279  
 Applicable Fraction: 100.00%  
 Qualified Basis (Rehabilitation): \$1,067,513  
 Applicable Rate: 3.40%  
 Qualified Basis (Acquisition): \$1,313,279  
 Applicable Rate: 3.40%  
 Maximum Annual Federal Credit, Rehabilitation: \$36,295  
 Maximum Annual Federal Credit, Acquisition: \$44,651  
 Total Maximum Annual Federal Credit: \$80,946  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$310,538  
 Investor/Consultant: WNC & Associates  
 Federal Tax Credit Factor: \$0.78992

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:	\$2,380,792
Actual Eligible Basis:	\$2,380,792
Unadjusted Threshold Basis Limit:	\$7,012,352
Total Adjusted Threshold Basis Limit:	\$9,256,305

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 32%

**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. 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:** Project is a re-syndication of CA-1988-041.

**Local Reviewing Agency:**

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

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$80,946</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 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:** None