

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 2nd Round Cycle
Tax-Exempt Bond Project with State Credits
September 26, 2007
Revised

Project Number CA-2007-871

Project Name La Quinta Dune Palms Apartments
Site Address: Northwest Corner of Avenue 48 & Dune Palms Road
La Quinta, CA 92253 County: Riverside
Census Tract: 451.11

Applicant Information

Applicant: Coachella Valley Housing Coalition
Contact John Aguilar
Address: 45701 Monroe Street, Suite G
Indio, CA 92201
Phone: (760) 347-3157 x. 229 **Fax:** (760) 342-6466
Sponsors Type: Nonprofit

Information

Housing Type: Large Family

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: December 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$85,401,638
Requested: \$84,401,638
Maximum Permitted: \$105,092,309

Extra Feature Adjustments:

Required to Pay Prevailing Wages **Parking Beneath Residential Units**
Day Care Center **Local Impact Fees**
55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts

	Federal/Annual	State/Total
Requested:	\$3,074,459	\$11,102,213
Recommended:	\$3,074,459	\$11,102,213

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt/None
HCD MHP Funding: Yes
Total # of Units: 218
Total # Residential Buildings: 22

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 216 units
55-Year Use/Affordability Restriction: Yes
Breakdown by %: 15% @ 35%, 20% @ 40%, 50% @ 50%
Number of Units @ or below 50% of area median income: 216

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Owner / Management Characteristics</i> Maximum of 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 of 10 points	10	10	10
<i>Site Amenities</i> Maximum of 15 points	15	6	6
<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"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum of 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	5	5	5
<input checked="" type="checkbox"/> Licensed child care providing 20 hours or more per week (Monday-Friday) to	5	5	5
<i>Sustainable Building Methods</i> Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Project design incorporates Universal Design	1	1	1
<i>Lowest Income</i> Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<i>Readiness to Proceed</i> Maximum of 20 points	20	20	20
Total Points	124	113	113

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 One-Bedrooms	35%	\$388
5 One-Bedrooms	40%	\$444
12 One-Bedrooms	50%	\$555
12 Two-Bedrooms	35%	\$466
13 Two-Bedrooms	40%	\$533
43 Two-Bedrooms	50%	\$666
21 Three-Bedrooms	35%	\$538
22 Three-Bedrooms	40%	\$615
59 Three-Bedrooms	50%	\$769
4 Four-Bedrooms	35%	\$601
5 Four-Bedrooms	40%	\$687
15 Four-Bedrooms	50%	\$858
2 Three-Bedrooms	Managers' Units	\$0

The general partner or principal owner is Coachella Valley Housing Coalition.

The project developer is Coachella Valley Housing Coalition.

The management services will be provided by Hyder & Company.

The market analysis was provided by Lauren Associates.

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

Project Financing

Estimated Total Project Cost: \$90,559,413 Per Unit Cost: \$415,410 Construction Cost Per Sq. Foot: \$318

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$50,500,000	Citibank	\$4,515,000
City of La Quinta – RDA	\$30,153,435	HCD – MHP	\$10,000,000
Investor Equity	\$7,550,000	City of La Quinta – RDA	\$30,153,435
		AHP	\$1,000,000
		Deferred Developer Fee	\$100,000
		GP Equity	\$1,200,000
		Investor Equity	\$43,590,978
		TOTAL	\$90,559,413

Determination of Credit Amount(s)

Requested Eligible Basis:	\$85,401,638
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$85,401,638
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$3,074,459
State Credit Applicable Rate:	13%
Total State Credit:	\$11,102,213
Approved Developer Fee:	\$2,500,000
Tax Credit Factor:	\$1.04

Applicant requests and staff recommends annual federal credits of \$3,074,459, and total state credits of \$11,102,213, based on a qualified basis of \$85,401,638, and a funding shortfall of \$43,590,978.

Cost Analysis and Line Item Review

The requested eligible basis \$85,401,638 is below TCAC’s adjusted threshold basis limit \$105,092,309. The basis limit was increased by the following extraordinary features: the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, projects that are required to pay state or federal prevailing wages, projects where a day care center is part of the development, and 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 3.60% 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 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.

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
\$3,074,459	\$11,102,213

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.

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

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 22, 2008**, 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: Stephenie Alstrom