

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

**Project Number** CA-2007-873

**Project Name** Calipatria Family Apartments  
**Site Address:** Southeast corner of Commercial Avenue and Bonita Place  
Calipatria, CA 92233 County: Imperial  
**Census Tract:** 101

**Applicant Information**

**Applicant:** Calipatria Family Apts., L.P.  
**Contact** Ms. Cheri Hoffman  
**Address:** 5993 Avenida Encinas, Suite 101  
Carlsbad, CA 92008  
**Phone:** (760) 456-6000 **Fax:** (760) 456-6001  
**Sponsors Type:** Joint Venture

**Information**

**Housing Type:** Large Family

**Bond Information**

**Issuer:** California Municipal Finance Authority  
**Expected Date of Issuance:** October 17, 2007  
**Credit Enhancement:** N/A

**Eligible Basis**

**Actual:** \$13,740,906  
**Requested:** \$13,704,906  
**Maximum Permitted:** \$31,005,368

**Extra Feature Adjustments:** Required to Pay Prevailing Wages  Local Impact Fees   
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features   
55-Year Use/Rent Restriction Adjustment: 120%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$494,673	\$1,766,776
Recommended:	\$494,673	\$1,766,776

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt / HOME  
**HCD MHP Funding:** Yes  
**Total # of Units:** 72  
**Total # Residential Buildings:** 7

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 71 units  
**55-Year Use/Affordability Restriction:** Yes  
**Breakdown by %:** 35% @ 40%, 65% @ 50%  
**Number of Units @ or below 50% of area median income:** 71

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b> Maximum of 9 points	<b>9</b>	9	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	<b>6</b>	6	<b>6</b>
<input checked="" type="checkbox"/> Management Experience	<b>3</b>	3	<b>3</b>
<b>Housing Needs</b> Maximum of 10 points	<b>10</b>	10	<b>10</b>
<b>Site Amenities</b> Maximum of 15 points	<b>15</b>	9	<b>9</b>
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	<b>2</b>	2	<b>2</b>
<input checked="" type="checkbox"/> Within ½ mile of public library	<b>2</b>	2	<b>2</b>
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	<b>3</b>	3	<b>3</b>
<input checked="" type="checkbox"/> Large Family project within ½ mile of public school that project children may attend	<b>2</b>	2	<b>2</b>
<b>Service Amenities</b> Maximum of 10 points	<b>10</b>	10	<b>10</b>
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	<b>5</b>	5	<b>5</b>
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After	<b>5</b>	5	<b>5</b>
<b>Sustainable Building Methods</b> Maximum of 8 points	<b>8</b>	8	<b>8</b>
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	<b>4</b>	4	<b>4</b>
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	<b>1</b>	1	<b>1</b>
<input checked="" type="checkbox"/> No-VOC interior paint	<b>1</b>	1	<b>1</b>
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	<b>2</b>	2	<b>2</b>
<b>Lowest Income</b> Maximum of 52 points	<b>52</b>	47.5	<b>47.5</b>
<input checked="" type="checkbox"/> Basic Targeting	<b>50</b>	47.5	<b>47.5</b>
<b>Readiness to Proceed</b> Maximum of 20 points	<b>20</b>	10	<b>5</b>
<b>Total Points</b>	<b>124</b>	103	<b>98.5</b>

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 One-Bedroom	40%	\$386
2 One-Bedroom	50%	\$483
12 Two-Bedroom	40%	\$464
20 Two-Bedroom	50%	\$580
7 Three-Bedroom	40%	\$535
24 Three-Bedroom	50%	\$669
1 Three-Bedroom	Manager's Unit	\$0

The general partners or principal owners are Pacific Southwest Community Development Corporation and an LLC affiliate of Chelsea Investment Corporation.

The project developer is an affiliate of Chelsea Investment Corporation.

The management services will be provided by CIC Management, Inc.

The market analysis was provided by Laurin Associates.

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: \$15,183,848 Per Unit Cost: \$210,887 Construction Cost Per Sq. Foot: \$153

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Bank of America – Tax Ex. Bonds	\$8,000,000	Bank of America – Tax Ex. Bonds	\$1,418,956
HCD – HOME	\$2,800,000	HCD – HOME	\$3,400,000
AHP	\$360,000	HCD – MHP	\$3,743,502
Deferred Developer Fee	\$1,170,610	City of Calipatria RDA	\$200,000
Investor Equity	\$2,853,238	AHP	\$360,000
		Deferred Developer Fee	\$354,914
		Investor Equity	\$5,706,476
		<b>TOTAL</b>	<b>\$15,183,848</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,740,906
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$13,740,906
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$494,673
State Credit Applicable Rate:	13%
Total State Credit:	\$1,766,776
Approved Developer Fee in Project Cost:	\$1,200,000
Approved Developer Fee in Eligible Basis:	\$1,200,000
Tax Credit Factor:	\$.84999

Applicant requests and staff recommends annual federal credits of \$494,673 and total state credits of \$1,766,776, based on a qualified basis of \$13,740,906, and a funding shortfall of \$5,706,476.

**Cost Analysis and Line Item Review**

The requested eligible basis \$13,740,906 is below TCAC’s adjusted threshold basis limit \$31,005,368. 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, local development impact fees, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items for exceeding Title 24 by at least 15%, using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, and using vented kitchen range hoods to the exterior of the building in at least 80% of the units. 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
<b>\$494,673</b>	<b>\$1,766,776</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.

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: None**

**Project Analyst:** Jack Waegell