

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 16, 2008

Project Number CA-2008-829

Project Name Ridge Lake Apartments
Address: 3800 Old Highway 53/ 15160 Austin Drive
Clearlake, CA 95422 County: Lake

Applicant Information

Applicant: Star-Clearlake Commons, LP
Contact Michael K. Moore
Address: 976 Featherstone Road
Rockford, IL 61107
Phone: (815) 397-8827 **Fax:** (815) 397-7565
Sponsors Type: Limited Partnership

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: April, 2008
Credit Enhancement: None

Eligible Basis

Actual: \$7,570,683
Requested: \$7,570,683
Maximum Permitted: \$27,759,155

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 49%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$306,807	\$0
Recommended:	\$301,135	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/RDA
HCD MHP Funding: Yes
Total # of Units: 91
Total # Residential Buildings: 7

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-90 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 44
Number of Units @ or below 60% of area median income: 46

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 One-Bedroom	45%	\$434
8 One-Bedroom	60%	\$579
12 One-Bedroom	45%	\$434
13 One-Bedroom	60%	\$579
8 Two-Bedroom	45%	\$522
9 Two-Bedroom	60%	\$696
15 Two-Bedroom	45%	\$522
15 Two-Bedroom	60%	\$696
1 Three-Bedroom	45%	\$602
1 Three-Bedroom	60%	\$803
1 Two-bedroom	Manager's unit	\$0

The general partner(s) or principal owner(s) are WHA—Clearlake Commons GP, LLC, Star-Clearlake Commons GP, LLC.

The project developer is Star-Clearlake Commons, LP.

The management services will be provided by Professional Property Management Group.

The market analysis was provided by Lea and 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: \$9,480,410 Per Unit Cost: \$106,268 Construction Cost Per Sq. Foot: \$26

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Washington Mutual – Tax Exempt Bonds	\$4,700,000	Washington Mutual - Tax Exempt bonds	\$600,000
USDA Rural Development	\$3,840,317	USDA Rural Development	\$3,840,317
Deferred Developer Fee	\$293,622	HCD—MHP	\$2,400,000
Investor Equity	\$847,471	Investor Equity	\$2,640,093
		TOTAL	\$9,480,410

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$2,647,268
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,441,448
Applicable Rate:	3.60%
Requested Acquisition Eligible Basis:	\$4,923,415
Qualified Acquisition Basis:	\$4,923,415
Applicable Rate:	3.60%
Total Annual Federal Credit: Rehabilitation	\$123,892
Total Annual Federal Credit: Acquisition	\$177,243
Total Maximum Annual Federal Credits:	\$301,135
Approved Developer Fee:	\$574,500
Tax Credit Factor: WNC & Associates	\$.92

Applicant requests and staff recommends annual federal credits of **\$301,135** based on a qualified basis of \$8,364,863 and a funding shortfall of \$2,640,093 . Applicant inadvertently included a portion of the developer fee in Other Costs. Staff adjusted accordingly which reduced total project cost and eligible basis.

Cost Analysis and Line Item Review

The requested eligible basis \$7,570,683 is below TCAC’s adjusted threshold basis limit **\$27,759,155** . The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, and the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitation.

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: None

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
\$301,135	\$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 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: The applicant/owner is required to provide the tenants with **no services** 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.

Project Analyst: g boyd