

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 Second Round Cycle
Tax-Exempt Bond Project with State Credits
October 8, 2008

Project Number CA-2008-912

Project Name Poplar Street Apartments
Site Address: 10777 Poplar Street
 Loma Linda, CA 92354 County: San Bernardino
Census Tract: 0073.01

Applicant Information

Applicant: 10777 Poplar St., L.P., a California Limited Partnership
Contact David Sclafani
Address: 15303 Ventura Blvd., Suite 1100
 Sherman Oaks, CA 91403
Phone: (818) 905-2430 x.110 Fax: (818) 905-2440
Sponsors Type: Nonprofit

Information

Housing Type: Large Family

Bond Information

Issuer: Loma Linda Redevelopment Agency
Expected Date of Issuance: 09/2008
Credit Enhancement: No

Eligible Basis

Actual: \$13,950,948
Requested: \$13,950,948
Maximum Permitted: \$20,768,472

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 51%

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 28%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$0	\$1,813,623
Recommended:	\$0	\$1,813,623

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 44
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 43 units
55-Year Use/Affordability Restriction: Yes
Breakdown by %: 10% @ 30%, 15% @ 35%, 10% @ 40%, 30% @ 50%
Number of Units @ or below 50% of area median income: 34
Number of Units @ or below 60% of area median income: 9

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Owner/Management Characteristics 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
Housing Needs Maximum of 10 points	10	10	10
Site Amenities Maximum of 15 points	15	6	6
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	2	2	2
<input checked="" type="checkbox"/> Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities 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	5	5	5
Sustainable Building Methods Maximum of 8 points	8	8	8
<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"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or	1	1	1
<input checked="" type="checkbox"/> Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
Lowest Income Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum of 20 points	20	20	20
Total Points	124	115	115

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 One-Bedroom	35%	\$437
1 One-Bedroom	40%	\$499
2 One-Bedroom	50%	\$624
1 One-Bedroom	60%	\$749
2 Two-Bedroom	30%	\$449
2 Two-Bedroom	35%	\$524
2 Two-Bedroom	40%	\$599
7 Two-Bedroom	50%	\$748
7 Two-Bedroom	60%	\$898
2 Three-Bedroom	30%	\$519
2 Three-Bedroom	35%	\$605
1 Three-Bedroom	40%	\$692
1 Three-Bedroom	45%	\$779
4 Three-Bedroom	50%	\$865
1 Three-Bedroom	60%	\$1038
1 Four-Bedroom	30%	\$579
1 Four-Bedroom	35%	\$676
1 Four-Bedroom	40%	\$773
2 Four-Bedroom	45%	\$869
1 Four-Bedroom	50%	\$966
1 Three-Bedroom	Manager's Unit	\$1002

The general partner or principal owner is Corporation for Better Housing.

The project developer is Corporation for Better Housing.

The management services will be provided by Beacon Property Management.

The market analysis was provided by Novogradac & Company, LLP.

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

Project Financing

Estimated Total Project Cost: \$14,425,020 Per Unit Cost: \$327,841 Construction Cost Per Sq. Foot: \$248

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Alliant Mortgage Company, LLC	\$9,000,000	Alliant Mortgage Company, LLC	\$1,140,000
City of Loma Linda (RDA)	\$4,000,000	City of Loma Linda RDA	\$4,000,000
Investor Equity	\$990,634	HCD MHP	\$3,240,843
		Deferred Developer Fee	\$302,541
		Investor Equity	\$5,741,636
		TOTAL	\$14,425,020

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,950,948
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$13,950,948
State Credit Applicable Rate:	13%
Total State Credit:	\$1,813,623
Approved Developer Fee:	\$809,000
Tax Credit Factor: Alliant Capital	\$0.8574

Applicant requests and staff recommends total state credits of \$1,813,623, based on a qualified basis of \$13,950,948 and a funding shortfall of \$5,741,636.

Cost Analysis and Line Item Review

The requested eligible basis \$13,950,948 is below TCAC's adjusted threshold basis limit \$20,768,472. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. 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 3.50% 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: This application (2008-850) received a federal allocation of tax credits in July 2008.

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
\$0	\$1,813,623

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 state 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 **March 9, 2009**, 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: Benjamin Schwartz