

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2009 Cash in Lieu of Credits - Gap Financing/TCAP Funds & HCD Loan Guarantee**  
**August 26, 2009**

**Project Number** CA-2009-560

**Project Name** Rosa Garden Apartments  
**Site Address:** Corner of Rosa Parks Road and McCarthy Way  
Palm Springs, CA 92202 County: Riverside

**Applicant Information**

**Applicant:** Desert highlands Associates, L.P.  
**Sponsor:** John Mealey  
**Address:** 45701 Monroe Street, Suite G  
Indio, CA 92201  
**Phone:** (760)347-3157 **Fax:** (760)342-6466

**General Partner Type:** Non-Profit  
The general partner or principal owner is Tlaquepaque Housing Corporation.

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt/HOME  
**HCD MHP Funding:** Yes  
**Total # of Units:** 57  
**Total # Residential Buildings:** 1

**Information**

**Housing Type:** Large Family  
**Proposed Average Affordability:** 46.7836

**Davis-Bacon Required:** Yes

**NEPA Required:** Yes

**State Prevailing Wages Required:** No

**2008 TCAC Project Number:** CA-2008-909

	<b>Federal Credit</b>	<b>State Credit</b>
<b>Original 2008 Federal &amp; State Tax Credits Reserved:</b>	\$654,566	\$2,431,244

<b>2008 Federal &amp; State Tax Credits Retained:</b>	\$654,566	\$2,431,244
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	<b>Federal Credit</b>	<b>State Credit</b>
<b>Amount of Gap Financing Requested:</b>	10 Cents	5 Cents

<b>Current Net Equity Factor:</b>	<b>.75</b>	<b>.60</b>
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	<b>Federal Calculation</b>	<b>State Calculation</b>
<b>Amount of Net Equity Factor Requested:</b>	(\$654,566 X 10 X .10) = \$654,566	(\$2,431,244 X .05) = \$121,562

**Amount of Gap Financing Recommended: \$776,128**

**HCD Loan Guarantee Requested:** \$4,036,441

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<b>ARRA Scoring Criteria</b>	<b>Max. Possible Points</b>	<b>Points Awarded</b>
<b><i>DDA Bonus Points</i></b>	<b>25</b>	<b>0</b>
<b><i>Housing Type Points (Maximum of 50 points)</i></b>		
<input checked="" type="checkbox"/> Large Family/Senior Project	<b>10</b>	<b>10</b>
<b><i>Total Project Cost/Cash Request Points (Maximum of 100 points)</i></b>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$21,136,542		
Cash Award Request: \$776,128		
Total Points Awarded: $100 - (\$776,128 / \$21,136,542 \times 100) = 96.3280$	<b>100</b>	<b>96.3280</b>
<b><i>Total Average Affordability Points (Maximum of 100 points)</i></b>		
Projects Original Proposed Average Affordability: 46.7836%		
60% - Average Affordability X 5 Points = $(60\% - 46.7836\%) \times 5 = 66.0820$	<b>100</b>	<b>66.0820</b>
<b>Total Points</b>	<b>275</b>	<b>172.4100</b>

**Approved 2008 TCAC Proposed Rent and Income Levels**

<b><u>Unit Type &amp; Number</u></b>	<b><u>% of Area Median Income</u></b>	<b><u>Proposed Rent</u></b> (including utilities)
3 One-Bedroom	35%	\$437
5 One-Bedroom	50%	\$624
2 Two-Bedroom	30%	\$448
4 Two-Bedroom	35%	\$524
8 Two-Bedroom	50%	\$748
6 Two-Bedroom	60%	\$898
3 Three-Bedroom	30%	\$519
4 Three-Bedroom	35%	\$605
10 Three-Bedroom	50%	\$865
6 Three-Bedroom	60%	\$1,038
1 Four-Bedroom	30%	\$579
1 Four-Bedroom	35%	\$676
3 Four-Bedroom	50%	\$966
1 Three-Bedroom	Manager's Unit	\$0

## Project Financing

Estimated Total Project Cost: \$19,318,921 Per Unit Cost: \$338,928

Wells Fargo Bank – Tax Exempt Bonds	\$9,600,000	CCRC	\$1,669,200
HCD – HOME	\$3,900,000	HCD – HOME	\$3,900,000
City of Palm Springs	\$1,600,000	City of Palm Springs	\$1,600,000
CVHC – Take Back Loan For Land	\$1,035,000	CVHC – Take Back Loan For Land	\$300,000
CVHC – GP Equity	\$300,000	CVHC – GP Equity	\$247,094
Deferred Developer Fee	\$448,845	HCD – MHP ARRA Guarantee	\$4,036,441
TCAC ARRA Funds	\$776,128	AHP	\$280,000
		Accrued Interest	\$62,749
		Deferred Developer Fee	\$848,846
		TCAC ARRA Funds	\$776,128
		Investor Equity	\$5,598,463
		<b>TOTAL</b>	<b>\$19,318,921</b>

## Income and Expense Statement for Year 1

<b>Gross Residential Rents:</b>	\$443,112
<b>Miscellaneous Income:</b>	\$4,104
<b>Vacancy Rate: 5%</b>	(\$22,361)
<b>Total Effective Gross Income:</b>	\$424,855
<b>Less Total Expenses/Reserves:</b>	\$266,185
<b>Net Operation Income:</b>	\$158,670
<b>Debt Service:</b>	\$137,968
<b>Net Cash Flow</b>	\$20,703
<b>Debt Service Ratio:</b>	1.15 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

## Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.