

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009

Project Number CA-2009-847

Project Name Baldwin & Squaw Valley Apartments
Address: 9555 East Barnard Street & 12730 Birch Street
Blythe, CA 92225 County: Riverside

Applicant Information

Applicant: Highland Property Development, LLC, as sponsors for HPD Baldwin-Squaw LP
Contact William E. Rice
Address: 250 West Colorado Street, Suite 210
Arcadia, CA 91007
Phone: (626) 294-9230 **Fax:** (626) 294-9270
Email: b.rice@highlandcompanies.com
Sponsors Type: Joint Venture

Information

Housing Type: Non-Targeted

Bond Information

Issuer: CSCDA
Expected Date of Issuance: December 2009
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$327,005	\$0
Recommended:	\$327,005	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/RHS
HCD MHP Funding: No
Total # of Units: 73
Total # Residential Buildings: 18
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 71 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis

Actual: \$8,056,741
Requested: \$4,287,568
Maximum Permitted: \$16,655,150

Adjustments to Threshold Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted
 Between 50% AMI & 36% AMI: 11%

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 One-bedroom Units	47%	\$578
36 One-bedroom Units	47%	\$578
1 One-bedroom Unit	47%	\$584
5 One-bedroom Units	47%	\$584
3 Two-bedroom Units	43%	\$645
18 Two-bedroom Units	43%	\$645
1 Three-bedroom Unit	44%	\$757
4 Three-bedroom Units	44%	\$757
1 Two-bedroom Unit	Manager's Unit	\$0
1 Three-bedroom Unit	Manager's Unit	\$0

The general partner(s) or principal owner(s) are HPD Baldwin-Squaw LLC and National Housing Corporation.

The project developer is Highland Property Development.

The management services will be provided by Hyder & Company.

The market analysis was provided by Vogt, Williams, Bowen.

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

Project Financing

Estimated Total Project Cost: \$8,849,667 Per Unit Cost: \$121,228 Construction Cost Per Sq. Foot: \$67

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
JP Morgan Chase Bank	\$4,300,000	Bonneville Mortgage – RD Insured	\$1,950,000
USDA – Rural Development	\$3,440,000	USDA – Rural Development	\$3,440,000
City of Blythe	\$365,000	City of Blythe	\$365,000
Investor Equity	\$365,967	Deferred Developer Fee	\$478,627
		Investor Equity	\$2,616,040
		TOTAL	\$8,849,667

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis: \$4,287,568

Requested Acquisition Eligible Basis:	\$3,769,173
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,573,838
Qualified Acquisition Basis:	\$3,769,173
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$195,084
Maximum Annual Federal Acquisition Credit:	\$131,921
Total Maximum Annual Federal Credit:	\$327,005
Approved Developer Fee:	\$1,011,422
Investor:	Credit Capital
Federal Tax Credit Factor:	\$.80

Cost Analysis and Line Item Review

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: 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 Tax Credits/Annual	State Tax Credits/Total
\$327,005	\$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 high-speed internet and educational classes free of charge 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: DC Navarrette