

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2009 Cash in Lieu of Credits – Section 1602 Funds

December 16, 2009

Project Number CA-2009-597

Project Name Manzanita Hills Apartments

Site Address: 1515, 1535 Spruce Street

Anderson, CA 96007

County: Shasta

Census Tract: 120.0

Applicant Information

Applicant: Highland Property Development LLC

Contact: William Rice

Address: 250 W. Colorado Boulevard, Suite 210

Arcadia, CA 91007

Phone: (626) 294-9230

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Email: b.rice@highlandcompanies.com

General Partner Type: Joint Venture

The general partners or principal owners are HPD Anderson LLC and Hearthstone Housing Foundation

Project Information

Housing Type: At-Risk

Construction Type: Acquisition and Rehabilitation

Rental/Operating Subsidy: 94% (140 Units - RHS 538)

HCD Funding: No

Total # of Units: 160

Total # of Residential Units: 148

Total # of Market Rate Units: 10

Total # Residential Buildings: 29

% and Number of Tax Credit Units: 93.43% - 148 units

Davis-Bacon Required: No

NEPA Required: No

State Prevailing Wages Required: Yes

Applicant Requested 15% Augmentation of the Original Development Budget to Help Assist in Complying with Prevailing Wage and Other Federal Requirements.

Augmentation Calculation

15% Prevailing Wage Adjustment: **\$669,854** Site Work + Structures x 15% = Total Prevailing Wage Adjustment
(\$135,000 + \$4,330,696) X 15% = \$669,854

2009 TCAC Project Number: CA-2009-042

2009 Annual Federal Tax Credits Reserved: \$1,072,603

2009 Federal Reserved Tax Credits Exchanged/Returned: \$1,072,603

Original Net Equity Factor: (maximum \$0.80 for 2009) \$0.80

Calculated/Requested Amount of ARRA Funds: (\$1,072,603 X 10 X 0.80) = \$8,580,824

Amount of Prevailing Wage Augmentation Requested: \$669,854

Total ARRA Cash Requested: \$9,250,678 (\$8,580,824 + \$669,854)

Calculated/Awarded ARRA Gap Funds: (\$1,072,603 X 10 X 0.79992) = \$8,579,965

Total Cash Award Recommended: \$9,249,819 (\$8,579,965 (ARRA/Equity) + \$669,854 (P.W. Boost))

Income/Rent Targeting

55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 30% of area median income: 15
 Number of Units @ or below 40% of area median income: 15
 Number of Units @ or below 50% of area median income: 74

Approved 2009 TCAC Proposed Rent and Income Levels

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>		<u>Proposed Rent</u> (including utilities)
11 One-bedroom Units	30%	30%	\$313
11 One-bedroom Units	40%	40%	\$418
57 One-bedroom Units	50%	50%	\$523
35 One-bedroom Units	60%	60%	\$627
4 Two-bedroom Units	30%	30%	\$376
4 Two-bedroom Units	40%	40%	\$502
17 Two-bedroom Units	50%	50%	\$627
9 Two-bedroom Units	60%	56%	\$701
2 Two-bedroom Units	Manager's Unit	Managers' Units	\$0

Project Financing

Estimated Total Project Cost: \$18,676,723 Per Unit Cost: \$116,730

<u>Construction Financing</u>		<u>Permanent Financing</u>	
JPMorgan Chase Bank	\$9,725,000	Bonneville Mortgage (RHS 538)	\$6,375,000
USDA Rural Development (RHS 515)	\$2,660,000	USDA Rural Development (RHS 515)	\$2,660,000
ARRA Exchange Amount	\$5,111,273	Deferred Developer Fee	\$391,904
		TCAC ARRA Award	\$9,249,819
		TOTAL	\$18,676,723

Income and Expense Statement for Year 1

Gross Residential Rents:	\$922,596
Total Rental Subsidy Income:	\$330,636
Miscellaneous Income:	\$9,600
Total Vacancy Rate Loss: 5%	(\$63,142)
Total Effective Gross Income:	\$1,199,690
Less Total Expenses/Reserves:	\$684,800

Net Operation Income:	\$514,890
Debt Service:	\$447,874
Net Cash Flow	\$67,016
Debt Service Ratio:	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), Section 1602 funds for the project. This Conditional Reservation would not constitute a commitment. The provision of any funds is conditioned on TCAC's determination to proceed with, modify or cancel the project based on further underwriting and review.

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