

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 16, 2011**

Project Number CA-2011-817

Project Name Tulare Portfolio
Site Address: 41730 Road 128, 41334 Road 127, 12415 Avenue 416,
12495 Avenue 416
Orosi, CA 93647 County: Tulare
Census Tract: 2.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$367,410	\$0
Recommended:	\$367,410	\$0

Applicant Information

Applicant: Tulare 2010 Community Partners, L.P.
Contact: Philip Randolph ("Randy") Hammond
Address: 1219 North Plaza Drive
Visalia CA 93291
Phone: (559) 802-6512 **Fax:** (559) 651-2585
Email: Randy@tetraprop.com

General partner(s) or principal owner(s): STPH II, LLC
Central Valley Coalition for Affordable Housing
General Partner Type: Joint Venture
Developer: WNC Community Preservation Partners
Investor/Consultant: WNC & Associates
Management Agent: Tetra Property Management, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 21
Total # of Units: 160
No. & % of Tax Credit Units: 156 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / USDA Rural Development /
USDA Rural Development Rental Assistance (95% - 152 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 53
Number of Units @ or below 60% of area median income: 103

Information

Housing Type: At-Risk
 Geographic Area: Central Region
 TCAC Project Analyst: Benjamin Schwartz

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: May, 2011
 Credit Enhancement: USDA RHS 538 Guaranteed Rural Rental Housing Program

Unit Mix

67 1-Bedroom Units
 69 2-Bedroom Units
 22 3-Bedroom Units
 2 4-Bedroom Units

 160 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 1 Bedroom	50%	50%	\$528
22 2 Bedrooms	50%	50%	\$633
8 3 Bedrooms	50%	50%	\$732
45 1 Bedroom	60%	60%	\$634
44 2 Bedrooms	60%	60%	\$760
14 3 Bedrooms	60%	60%	\$879
1 4 Bedrooms	50%	50%	\$817
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,373,166 Construction Cost Per Square Foot: \$26
 Per Unit Cost: \$83,582

Construction Financing**Permanent Financing**

Source	Amount	Source	Amount
Bellwether Real Estate Capital	\$6,100,000	Bellwether Real Estate Capital	\$5,400,000
USDA Rural Development	\$5,000,110	USDA Rural Development	\$5,000,110
Existing Replacement Reserves	\$196,085	Existing Replacement Reserves	\$196,085
Cash Flow from Operations	\$174,193	Cash Flow from Operations	\$174,193
Deferred Developer Fee	\$1,131,217	Deferred Developer Fee	\$30,908
WNC & Associates	\$771,561	Tax Credit Equity	\$2,571,870
		TOTAL	\$13,373,166

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,414,582
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,391,584
Applicable Fraction:	3.40%
Qualified Basis (Rehabilitation):	\$5,414,582
Qualified Basis (Acquisition):	\$5,391,584
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$184,096
Maximum Annual Federal Credit, Acquisition:	\$183,314
Total Maximum Annual Federal Credit:	\$367,410
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,409,500
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.70000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,806,166
Actual Eligible Basis:	\$10,806,166
Unadjusted Threshold Basis Limit:	\$31,608,789
Total Adjusted Threshold Basis Limit:	\$42,039,689

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 33%

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 limitations. 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 3.40% 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

Local Reviewing Agency:

The Local Reviewing Agency, County of Tulare, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary 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
\$367,410	\$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 preliminary 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 as presented 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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: None