

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**April 18, 2007**

**Project Number** CA-2007-824

**Project Name** Ukiah Terrace I Apartments  
Address: 1164 Mulberry Street  
Ukiah, CA 95482 County: Mendocino

**Applicant Information**

Applicant: Star – Ukiah Terrace Limited Partnership  
Contact: Mr. Mike Moore  
Address: 973 Featherstone Road, Suite 325  
Rockford, IL 61107  
Phone: (815) 397-8827 Fax: (815) 397-7565  
Sponsors Type: Joint Venture

**Bond Information**

Issuer: CSCDA  
Expected Date of Issuance: May 2007  
Credit Enhancement: N/A

**Eligible Basis**

Actual: \$4,869,659  
Requested: \$4,869,659  
Maximum Permitted: \$9,954,404

Extra Feature Adjustments:  
55-Year Use/Rent Restriction Adjustment: 120%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$186,777	\$0
Recommended:	\$186,777	\$0

**Project Information**

Construction Type: Acquisition and Rehabilitation  
Federal Subsidy: Tax-Exempt / USDA RD / RHS 521 Rent Subsidy  
HCD MHP Funding: No  
Total # of Units: 41  
Total # Residential Buildings: 4

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
% & No. of Targeted Units: 100% - 40 units  
55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income under CA-2007-824: 13  
Number of Units @ or below 60% of area median income under CA-2007-824: 27  
AND

Pursuant to TCAC regulatory agreement, CA-1990-124, recorded May 22, 1992, this project is required to continue to meet the specified rent and income restrictions for the remainder of the 30-year term (approximately year 2020).

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
15 One Bedroom	60%	\$574
7 One Bedroom	50%	\$479
12 Two Bedroom	60%	\$689
6 Two Bedroom	50%	\$574
1 Two Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are Ukiah Terrace GP, LLC and AHDF – Ukiah Terrace GP, LLC.

The project developer is Star Development, LLC.

The management services will be provided by Professional Property Management Group.

The market analysis was provided by PGP Valuation, Inc.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Project Financing**

Estimated Total Project Cost: \$5,473,026      Per Unit Cost: \$133,488      Construction Cost Per Sq. Foot: \$22

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank – Tax Exempt Bonds	\$2,826,000	US Bank – Tax Exempt Bonds	\$1,775,000
USDA Rural Development – Loan	\$1,728,366	USDA Rural Development – Loan	\$1,728,366
Deferred Fees	\$827,203	Deferred Developer Fee	\$139,250
Investor Equity	\$181,956	Investor Equity	\$1,830,410
		<b>TOTAL</b>	<b>\$5,473,026</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$1,061,928
Requested Acquisition Eligible Basis:	\$3,807,731
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$1,380,506
Qualified Acquisition Basis:	\$3,807,731
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$49,698
Maximum Annual Federal Acquisition Credit:	\$137,079
Total Maximum Annual Federal Credit:	\$186,777
Approved Developer Fee in Project Cost:	\$635,173
Approved Developer Fee in Eligible Basis:	\$635,173
Tax Credit Factor:	\$.98000

Applicant requests and staff recommends annual federal credits of \$186,777, based on a qualified rehabilitation basis of \$1,380,506, a qualified acquisition basis of \$3,807,731, and a funding shortfall of \$1,830,410.

**Cost Analysis and Line Item Review**

The requested eligible basis \$4,869,659 is below TCAC's adjusted threshold basis limit 9,954,404. The basis limit includes the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units. 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 3.60% 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:** 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.

This application is for the acquisition and rehabilitation of an existing USDA Rural Development and tax credit project, CA-1989-183 (federal tax credits) and CA-1990-124 (state tax credits), which is subject to a 30-year term TCAC regulatory agreement that runs through the year 2020 (approximately). This project is required to comply with the terms of the TCAC regulatory agreement, #CA-1990-124, for the remainder of its term, in addition to the requirements that will be imposed by this reservation of tax credits as CA-2007-824.

**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
<b>\$186,777</b>	<b>\$0</b>

**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.

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:** None.

**Project Analyst:** Jack Waegell