

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 First Round Cycle
Tax-Exempt Bond Project with State Credits
June 6, 2007

Project Number CA-2007-829

Project Name Tulare Portfolio (Tulare/Alder/Evergreen/Woodlake Apartments)

Site Address:

<p><u>Tulare Apartments</u> 1101 S. Irwin Tulare, CA 93274 County: Tulare Census Tract: 29.04</p> <p><u>Evergreen Apartments</u> 65 N. Salisbury Street Porterville, CA 93257 County: Tulare Census Tract: 36.01</p>	<p><u>Alder Apartments</u> 45 N. Salisbury Street Porterville, CA 93257 County: Tulare Census Tract: 36.01</p> <p><u>Woodlake Apartments</u> 551 Cypress Avenue Woodlake, CA 93286 County: Tulare Census Tract: 7.02</p>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Applicant Information

Applicant: AETW Group, a California Limited Partnership
Contact: Michael Boettger
Address: 2020 W. Kettleman Lane
Lodi, CA 95241
Phone: (209) 334-6565 x2241 Fax: (209) 334-5387
Sponsors Type: Joint Venture

Information

Housing Type: At-Risk

Bond Information

Issuer: California Statewide Community Development Authority
Expected Date of Issuance: August 30, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$14,574,947
Requested: \$14,574,947
Maximum Permitted: \$62,130,088

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

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$524,698	\$1,894,743
Recommended:	\$524,698	\$1,894,743

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/USDA
HCD MHP Funding: No
Total # of Units: 250
Total # Residential Buildings: 26

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 244 units
 55-Year Use/Affordability Restriction: Yes
 Breakdown by %: 50% @ 40%
 Number of Units @ or below 50% of area median income: 123
 Number of Units @ or below 60% of area median income: 121

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Owner / Management Characteristics</i> Maximum of 9 points	9	9	8.5
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	2.5
<i>Housing Needs</i> Maximum of 10 points	10	10	10
<i>Site Amenities</i> Maximum of 15 points	15	5.1	1.7
<i>Alder Apartments</i>			
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and			
<i>Woodlake Apartments</i>			
<input checked="" type="checkbox"/> Rural project within ½ mile of public library			
<input checked="" type="checkbox"/> Rural Large Family project within ½ mile of public school project children			
<i>Service Amenities</i> Maximum of 10 points	10	0	0
<i>Sustainable Building Methods</i> Maximum of 8 points	8	0	0
<i>Lowest Income</i> Maximum of 52 points	52	30	30
<input checked="" type="checkbox"/> Basic Targeting	50	30	30
<i>Readiness to Proceed</i> Maximum of 20 points	20	20	20
Total Points	124	74.1	70.2

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 One-Bedroom (TA)	60%	\$560
23 Two-Bedroom (TA)	60%	\$685
4 Three-Bedroom (TA)	60%	\$792
20 One-Bedroom (TA)	40%	\$381
24 Two-Bedroom (TA)	40%	\$457
4 Three-Bedroom (TA)	40%	\$528
14 One-Bedroom (AA)	60%	\$571
15 Two-Bedroom (AA)	60%	\$685
2 Three-Bedroom (AA)	60%	\$792
14 One-Bedroom (AA)	40%	\$381
15 Two-Bedroom (AA)	40%	\$457
2 Three-Bedroom (AA)	40%	\$528
10 One-Bedroom (WA)	60%	\$571
11 Two-Bedroom (WA)	60%	\$685
2 Three-Bedroom (WA)	60%	\$757
10 One-Bedroom (WA)	40%	\$381
12 Two-Bedroom (WA)	40%	\$457
2 Three-Bedroom (WA)	40%	\$528
20 One-Bedroom (EA)	60%	\$571
20 One-Bedroom (EA)	40%	\$381
1 One-Bedroom (EA)	Manager's Units	\$0
5 Two-Bedroom (TA, AA, WA)	Manager's Units	\$0

The general partners or principal owners are Tulare Group, LLC and Affordable Housing CDC, Inc.

The project developer is PAM Development, Inc.

The management services will be provided by Professional Apartment Management, Inc.

The market analysis was provided by Lea and Company.

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

Project Financing

Estimated Total Project Cost: \$17,661,959 Per Unit Cost: \$70,648 Construction Cost Per Sq. Foot: \$21

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual	\$8,600,000	Washington Mutual	\$5,050,000
USDA	\$5,453,072	USDA	\$5,453,072
Deferred Developer Fee	\$988,160	Deferred Developer Fee	\$607,069
Investor Equity	\$2,620,727	Investor Equity	\$6,551,818
		TOTAL	\$17,661,959

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$5,757,856
Requested Acquisition Eligible Basis:	\$8,817,091
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,757,856
Qualified Acquisition Basis:	\$8,817,091
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$207,283
Maximum Annual Federal Acquisition Credit:	\$317,415
Total Maximum Annual Federal Credit:	\$524,698
State Credit Applicable Rate:	13%
Total State Credit:	\$1,894,743
Approved Developer Fee:	\$1,170,886
Tax Credit Factor:	\$0.9174

Applicant requests and staff recommends annual federal credits of \$524,698, and total state credits of \$1,894,743, based on a qualified basis of \$14,574,947, and a funding shortfall of \$6,551,818.

Cost Analysis and Line Item Review

The requested eligible basis \$14,574,947 is below TCAC's adjusted threshold basis limit \$62,130,088. The basis limit includes the adjustment for extraordinary features for 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.

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
\$524,698	\$1,894,743

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

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is November 2, 2007, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Anthony Zeto