

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 25, 2007

Project Number CA-2007-856

Project Name Salado Orchard Apartments
Address: 220 Toomes Avenue
 Corning, CA 96021

County: Tehama

Applicant Information

Applicant: Corning Pacific Associates, L.P.
Contact Mr. Caleb Roope
Address: 430 East State Street, Suite 100
 Eagle, ID 83616
Phone: (208) 461-0022
Sponsors Type: Joint Venture

Fax: (208) 461-3267

Bond Information

Issuer: CSCDA
Expected Date of Issuance: August 21, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$9,054,108
Requested: \$9,054,108
Maximum Permitted: \$19,031,232

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

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$415,493 \$0
Recommended: \$423,732 \$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: No
Total # of Units: 48
Total # Residential Buildings: 6

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 47 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 10
Number of Units @ or below 60% of area median income: 37

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 Two-Bedrooms	50%	\$571
6 Two-Bedrooms	60%	\$628
31 Three-Bedrooms	60%	\$726
1 Three Bedroom	Manager's Unit	\$0

The project developers are Roope, LLC and Pacific West Communities, Inc.

The management services will be provided by Infinity Management, Inc.

The market analysis was provided by M. E. Shay.

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: \$10,086,305 Per Unit Cost: \$210,131 Construction Cost Per Sq. Ft.: \$109

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank – Tax Exempt Bonds	\$6,500,000	Citibank – Tax Exempt Bonds	\$1,800,000
City of Corning – HOME	\$2,100,000	City of Corning – HOME	\$3,900,000
Deferred Developer Fee	\$1,087,472	Deferred Developer Fee	\$318,882
Investor Equity	\$398,833	Investor Equity	\$4,067,423
		TOTAL	\$10,086,305

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,054,108
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$11,770,340
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$423,732
Approved Developer Fee:	\$1,180,971
Tax Credit Factor:	\$0.9599

Applicant requests annual federal credits of \$415,493, based on a qualified basis of \$11,770,340 and a funding shortfall of \$3,998,334. Staff recommends annual federal credits of \$423,732, based on a qualified basis of \$11,770,340 and a funding shortfall of \$4,067,423. In determining the project's maximum credit, the applicant used an underwriting rate of 3.53% instead of the TCAC underwriting rate of 3.60%. Staff adjusted accordingly.

Cost Analysis and Line Item Review

The requested eligible basis (\$9,054,108) is below TCAC's adjusted threshold basis limit (\$19,031,232). 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 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 3.60% 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:

\$423,732 Federal/Annual

\$0 State/Total

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