CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 15, 2007

Project Number CA-2007-866

Project Name Murray Apartments
Address: 1423 Reasor Road
McKinleyville, CA 95519 County: Humboldt

Applicant Information
Applicant: Humboldt 2007 Community Partners, L.P.
Contact Terry Coyne
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: (714) 662-5565 Fax: (714) 662-6834
Sponsors Type: Joint Venture

Bond Information
Issuer: CSCDA
Expected Date of Issuance: August 31, 2007
Credit Enhancement: N/A

Eligible Basis
Actual: $3,198,659
Requested: $3,198,659
Maximum Permitted: $12,765,311

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

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$129,204	$0
Recommended:	$129,204	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / USDA RD 515 / USDA Rental Assistance
HCD MHP Funding: No
Total # of Units: 50
Total # Residential Buildings: 10

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 49
55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income: 15
Number of Units @ or below 60% of area median income: 34

Unit Type & Number		2007 Rents % of Area Median Income	Proposed Rent (including utilities)
10	One Bedroom	60%	$549
4	One Bedroom	50%	$476
15	Two Bedroom	60%	$597
8	Two Bedroom	50%	$571
9	Three Bedroom	60%	$662
3	Three Bedroom	50%	$660
1	Two-Bedroom	Manager's Unit	$0

The general partners or principal owners are Humboldt 2007 Partners, LLC and Riverside Charitable Corporation.

The project developer is WNC Development Partners, LLC.

The management services will be provided by Valley Fair Realty.

The market analysis was provided by Novogradac & Company.

The Local Reviewing Agency, the county of Humboldt, has completed a site review of this project and strongly supports this project.

Project Financing
Estimated Total Project Cost: $4,135,650 Per Unit Cost: $82,713 Construction Cost Per Sq. Foot: $17

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citigroup – Tax Ex. Bonds	$1,900,000	Citigroup – Tax Ex. Bonds	$1,275,000
USDA RD – 515 Assumed Loan	$1,432,119	USDA RD – 515 Assumed Loan	$1,432,119
Deferred Developer Fee	$297,051	Deferred Developer Fee	$162,330
Investor Equity	$506,481	Investor Equity	$1,266,201
		TOTAL	**$4,135,650**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$1,301,159
Requested Acquisition Eligible Basis:	$1,897,500
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$1,691,507
Qualified Acquisition Basis:	$1,897,500
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$60,894
Maximum Annual Federal Acquisition Credit:	$68,310
Total Maximum Annual Federal Credit:	$129,204
Approved Developer Fee in Project Cost:	$417,216
Approved Developer Fee in Eligible Basis:	$417,216
Tax Credit Factor: WNC & Associates	$.98000

Applicant requests and staff recommends annual federal credits of $129,204, based on a qualified rehabilitation basis of $1,691,507, a qualified acquisition basis of $1,897,500, and a funding shortfall of $1,266,201.

Cost Analysis and Line Item Review
The requested eligible basis $3,198,659 is below TCAC's adjusted threshold basis limit $12,765,311. 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 project has USDA RD Rental Assistance on 35 of the units annually renewed.

This application is for the acquisition and rehabilitation of an existing 9% tax-credit project, CA-1989-029, Murray Apartments, which received both federal and state tax credits in 1989 as new construction. The original 1989 project is under a 30-year rent/income restriction as a result of receiving state tax credits. This reservation, CA-2007-866, will result in an additional 33 years of deeper rent & income restrictions (30% @ 50% AMI) and rehabilitated apartments for the low-income tenants.

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
$129,204	**$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.

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