

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 2nd Round Cycle
Tax-Exempt Bond Project with State Credits
September 26, 2007

Project Number CA-2007-874

Project Name Coy D. Estes II Senior Apartments
Site Address: 290 North Third Street
Upland, CA 91785 **County:** San Bernardino
Census Tract: 09.00

Applicant Information

Applicant: Upland Senior Housing II, L.P.
Contact Ms. Xenia (Sam) Szabo
Address: 1220 Campus Drive
Upland, CA 91785
Phone: (909) 982-7767 **Fax:** (909) 982-0237
Sponsors Type: Nonprofit

Information

Housing Type: Seniors

Bond Information

Issuer: Housing Authority of the City of Upland
Expected Date of Issuance: December 15, 2007
Credit Enhancement: Letter of Credit

Eligible Basis

Actual: \$14,207,151
Requested: \$14,207,151
Maximum Permitted: \$19,862,008

Extra Feature Adjustments: Required to Pay Prevailing Wages **Local Impact Fees**
55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts

	Federal/Annual	State/Total
Requested:	\$511,457	\$1,846,930
Recommended:	\$511,457	\$1,846,930

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 72
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 71 units
55-Year Use/Affordability Restriction: Yes
Breakdown by %: 10% @ 30%, 10% @ 35%, 50% @ 50%
Number of Units @ or below 50% of area median income: 52
Number of Units @ or below 60% of area median income: 19

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics Maximum of 9 points	9	8	8
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	2	2
Housing Needs Maximum of 10 points	10	0	0
Site Amenities Maximum of 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input checked="" type="checkbox"/> Senior project within ¼ mile of daily operated senior center or facility for seniors	3	3	3
<input checked="" type="checkbox"/> Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities Maximum of 10 points	10	10	0
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	0
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After	5	5	0
Sustainable Building Methods Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Lowest Income Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum of 20 points	20	20	20
Total Points	124	113	103

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 Studio	30%	\$310
8 Studio	35%	\$361
36 Studio	50%	\$517
19 Studio	60%	\$620
1 One-Bedroom	Manager's Unit	\$604

The general partners or principal owners are Upland Community Housing, Inc. and Santa Barbara Housing Assistance Corporation.

The project developer is Upland Community Housing, Inc.

The management services will be provided by the city of Upland Housing Authority.

The market analysis was provided by the Gill Group, Inc.

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

Project Financing

Estimated Total Project Cost: \$14,886,728 Per Unit Cost: \$206,760 Construction Cost Per Sq. Foot: \$209

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Upland H.A. – Tax Ex. Bonds	\$8,215,133	Upland H.A. – Tax Ex. Bonds	\$6,784,283
Upland RDA / Upland Comm. Hsg.	\$412,150	Upland RDA / Upland Comm. Hsg.	\$412,150
Upland H.A. / Upland Comm. Hsg.	\$200,000	Upland H.A. / Upland Comm. Hsg.	\$200,000
Investor Equity	\$6,059,445	FHLB/Hanmi Bank - AHP	\$325,000
		Deferred Developer Fee Loan	\$700,000
		G.P. Equity and NOI	\$150,732
		Investor Equity	\$6,314,563
		TOTAL	\$14,886,728

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,207,151
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$14,207,151
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$511,457
State Credit Applicable Rate:	13%
Total State Credit:	\$1,846,930
Approved Developer Fee in Project Cost:	\$1,400,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor:	\$.90706

Applicant requests and staff recommends annual federal credits of \$511,457 and total state credits of \$1,846,930, based on a qualified basis of \$14,207,151, and a funding shortfall of \$6,314,563.

Cost Analysis and Line Item Review

The requested eligible basis \$14,207,151 is below TCAC’s adjusted threshold basis limit \$19,862,008. The basis limit was increased by the following extraordinary features: 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, projects that are required to pay state or federal prevailing wages, and local development impact fees. 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:

Federal/Annual	State/Total
\$511,457	\$1,846,930

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 **February 22, 2008**, 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.

The applicant/owner is required to provide the tenants with high-speed Internet service in each unit and educational classes free of charge to the tenants, on site or within ¼ mile, for a minimum of ten (10) years in accordance with the bond allocation from CDLAC and CDLAC's service amenity requirements. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC..

Project Analyst: Jack Waegell