CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 5, 2007

Project Number CA-2007-910

Project Name Villa Monterey Apartments
Address: 4707 Kentfield Road
Stockton, CA 95207 County: San Joaquin

Applicant Information

Applicant:	Visionary Home Builders of California, Inc.	
Contact	Mr. Richard Parker	
Address:	315 North San Joaquin Street	
	Stockton, CA 95207	
Phone:	(209) 466-6811	Fax: (209) 466-3465
Sponsors Type:	Nonprofit	

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	February 15, 2008
Credit Enhancement:	N/A

Eligible Basis

Actual:	$10,727,791
Requested:	$10,727,791
Maximum Permitted:	$13,967,107

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

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$464,149	$0
Recommended:	$464,149	$0

Project Information

Construction Type:	Acquisition and Rehabilitation & New Construction
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
Total # of Units:	45
Total # Residential Buildings:	2

Income/Rent Targeting

Federal Setaside Elected:	40%/60%
% & No. of Targeted Units:	100% - 44
55-Year Use/Affordability Restriction:	Yes

Number of Units @ or below 50% of area median income: 6
Number of Units @ or below 60% of area median income: 38

Unit Type & Number	2007 Rents % of Area Median Income	Proposed Rent (including utilities)
2 One Bedroom	50%	$565
18 One Bedroom	60%	$678
4 Two Bedroom	50%	$678
20 Two Bedroom	60%	$806
1 Two Bedroom	Manager's Unit	$743

The general partner or principal owner is Visionary Home Builders of California, Inc.

The project developer is Visionary Home Builders of California, Inc.

The management services will be provided by ConAm Management Corporation.

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

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: $12,923,459 Per Unit Cost: $287,188 Construction Cost Per Sq. Foot: $119

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CSCDA/Union Bank - Tax Ex. Bonds	$6,570,000	CSCDA/Union Bank – Tax Ex. Bonds	$1,570,000
City of Stockton	$6,253,459	City of Stockton	$6,550,000
Investor Equity	$100,000	Investor Equity	$4,803,459
		TOTAL	**$12,923,459**

Determination of Credit Amount(s)

Requested New Construction Eligible Basis:	$581,400
Requested Rehabilitation Eligible Basis:	$6,633,037
Requested Acquisition Eligible Basis:	$3,510,354
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehab. & New Construction (NC) Basis:	$9,382,668
Qualified Acquisition Basis:	$3,510,354
Applicable Rate:	3.60%
Maximum Annual Federal Rehab. & NC Credit:	$337,776
Maximum Annual Federal Acquisition Credit:	$126,373
Total Maximum Annual Federal Credit:	$464,149
Approved Developer Fee in Project Cost:	$1,399,277
Approved Developer Fee in Eligible Basis:	$1,399,277
Tax Credit Factor: Union Bank of California	$1.0349

Applicant requests and staff recommends annual federal credits of $464,149, based on a qualified rehabilitation and new construction basis of $9,382,668, a qualified acquisition basis of $3,510,354, and a funding shortfall of $4,803,459.

Cost Analysis and Line Item Review
The requested eligible basis $10,727,791 is below TCAC's adjusted threshold basis limit $13,967,107. 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 most fees to be within TCAC's underwriting guidelines and TCAC limitation with the exception of the contractor overhead, profit, and general requirement costs. See the Special Issues section below.

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 entails the conversion of 5 existing units into community space and a small police substation and the new construction of a 4-plex residential building to partially replace the units converted to community space.

The applicant's estimate of contractor profit, overhead, and general requirement costs exceeds the limit established by regulation by a small amount. At final review, any costs or eligible basis in excess of the limit will not be allowed, which may result in a reduction of tax credits.

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
$464,149	**$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: The applicant/owner is required to provide the tenants with after school programs and educational classes, on-site or within ¼ mile of the project and free of charge to the tenants for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. 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