

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 26, 2008

Project Number CA-2008-806

Project Name Rio Colorado Apts. & Townhomes
Address: 400 N. Palm Drive
Blythe, CA 92225

County: Riverside

Applicant Information

Applicant: HPD Rio Colorado LLC
Contact: Kristoffer J. Kaufmann
Address: 250 W. Colorado Blvd., Suite 210
Arcadia, CA 91007
Phone: (626) 294-9525
Sponsors Type: Joint Venture

Fax: (626) 294-9270

Bond Information

Issuer: CSCDA
Expected Date of Issuance: March 28, 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$8,749,323
Requested: \$8,749,323
Maximum Permitted: \$19,026,659

Extra Feature Adjustments:

Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: Up to 49%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$314,975	\$0
Recommended:	\$314,975	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/None
HCD MHP Funding: No
Total # of Units: 70
Total # Residential Buildings: 15

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 69 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 34
Number of Units @ or below 60% of area median income: 35

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
16 Two-Bedrooms	50%	\$666
14 Two-Bedrooms	60%	\$719
18 Three-Bedrooms	50%	\$769
21 Three-Bedrooms	60%	\$785
1 One-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are HPD Rio Colorado, LLC, and Hearthstone Housing Foundation.

The project developer is Highland Property Development.

The management services will be provided by Hyder Property Management Professionals.

The market analysis was provided by Vogt, Williams & Bowen.

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

Project Financing

Estimated Total Project Cost: \$9,989,773 Per Unit Cost: \$142,711 Construction Cost Per Sq. Foot: \$49

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America – T.E. Bonds	\$4,800,000	Bank of America – T.E. Bonds	\$2,800,000
HCD - Prop 84	\$3,296,987	HCD - Prop 84	\$3,296,987
City of Blythe	\$350,000	City of Blythe	\$350,000
Investor Equity	\$444,070	Deferred Developer Fee	\$582,318
		Investor Equity	\$2,960,468
		TOTAL	\$9,989,773

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$4,371,173
Requested Acquisition Eligible Basis:	\$4,378,150
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$4,371,173
Qualified Acquisition Basis:	\$4,378,150
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$157,362
Maximum Annual Federal Acquisition Credit:	\$157,613
Total Maximum Annual Federal Credit:	\$314,975
Approved Developer Fee:	\$1,141,216
Tax Credit Factor:	\$.93990

Applicant requests and staff recommends annual federal credits of \$314,975, based on a qualified rehabilitation basis of \$4,371,173, a qualified acquisition basis of \$4,378,150, and a funding shortfall of \$2,960,468.

Cost Analysis and Line Item Review

The requested eligible basis \$8,749,323 is below TCAC's adjusted threshold basis limit \$19,026,659. The basis limit includes the adjustment for extraordinary features for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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
\$314,975	\$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 not providing services.

Project Analyst: Stephenie Alstrom