

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 28, 2008

Project Number CA-2008-849
Project Name Pacific Court Apartments
Address: 2200 Delaware Street
Huntington Beach, CA 92648 **County:** Orange

Applicant Information

Applicant: Pacific Court Apartments, L.P.
Contact Eunice Bobert
Address: 414 E. Chapman Avenue
Orange, CA 92866
Phone: (714) 771-1439 **Fax:** (714) 771-0394
Sponsors Type: Joint Venture

Bond Information

Issuer: CSCDA
Expected Date of Issuance: July 2008
Credit Enhancement: None

Eligible Basis

Actual: \$14,139,630
Requested: \$14,139,630
Maximum Permitted: \$15,401,472

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 48%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$549,794	\$0
Recommended:	\$549,794	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: No
Total # of Units: 48
Total # Residential Buildings: 12

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: 23
Number of Units @ or below 60% of area median income: 24

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
23 Two-Bedrooms	50%	\$885
24 Two-Bedrooms	60%	\$1,062
1 Two-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are OHDC Delaware, LLC and C&C Delaware, LLC.

The project developer is OHDC Delaware, LLC and C&C Delaware, LLC.

The management services will be provided by Advanced Property Services, LLC.

The market analysis was provided by Lea & Company.

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

Project Financing

Estimated Total Project Cost: \$18,003,875 Per Unit Cost: \$375,081 Construction Cost Per Sq. Foot: \$57

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual Bank Tax Exempt Bonds – A	\$3,485,906	Washington Mutual Bank Tax Exempt Bonds – A	\$3,485,906
Washington Mutual Bank Tax Exempt Bonds – B	\$5,861,661	Washington Mutual Bank Tax Exempt Bonds – B	\$8,226,312
Huntington Beach RDA	\$6,742,558	Huntington Beach HOME	\$500,000
Huntington Beach HOME	\$500,000	GP Contribution	\$100
GP Contribution	\$100	Deferred Developer Fee	\$788,473
LP Contribution	\$5,000	Investor Equity	\$5,003,084
Deferred Costs	\$620,177	TOTAL	\$18,003,875
Deferred Developer Fee	\$788,473		
TOTAL	\$18,003,875		

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,774,780
Requested Acquisition Eligible Basis:	\$10,364,850
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$4,907,214
Qualified Acquisition Basis:	\$10,364,850
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$176,660
Maximum Annual Federal Acquisition Credit:	\$373,134
Total Maximum Annual Federal Credit:	\$549,794
Approved Developer Fee:	\$1,888,473
Tax Credit Factor: CA Housing Partnership	\$.9099

Applicant requests and staff recommends annual federal credits of \$549,794, based on a qualified rehabilitation basis of \$4,907,214, a qualified acquisition basis of \$10,364,850, and a funding shortfall of \$5,003,084.

Cost Analysis and Line Item Review

The requested eligible basis \$14,139,630 is below TCAC's adjusted threshold basis limit \$15,401,472. The basis limit includes the adjustment for extraordinary features for the 55-year use/affordability restriction 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 most fees to be within TCAC's underwriting guidelines and TCAC limitation. The applicant's estimate of contractor profit, overhead, and general requirement costs and basis exceed the limitation set by regulation. The applicant is cautioned that costs, fees, or basis in excess of the limits set by regulations will not be allowed at final review.

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: None

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
\$549,794	\$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.

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.

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 any services.

Project Analyst: Stephenie Alstrom