CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 20, 2008

Project Number CA-2008-862

Project Name Calexico Village/Heber Village II Apartments (Imperial RD Portfolio)
Address: 1020 Kloke Ave. / 1140 Heber Ave..
Calexico / Heber, CA 92231 / 92249 County: Imperial

Applicant Information
Applicant: APD CA RD 2008, L.P.
Contact Stephen R. Whyte
Address: 1700 Seventh Avenue, Suite 2075
Seattle, WA 98101
Phone: (206) 621-7420 Fax: (206) 621-7420
Sponsors Type: Joint Venture

Bond Information
Issuer: CA Municipal Finance Authority
Expected Date of Issuance: May 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $4,761,740
Requested: $4,761,740
Maximum Permitted: $18,835,457

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20% ☒
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 28% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$160,947	$0
Recommended:	$160,947	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 60
Total # Residential Buildings: 16

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 60 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 42

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
7 One-Bedrooms	60%	$524
13 Two-Bedrooms	60%	$620
11 Three-Bedrooms	60%	$718
1 One-Bedroom	50%	$425
2 Two-Bedrooms	50%	$502
1 Three-Bedroom	50%	$580
1 One-Bedroom	60%	$532
4 Two-Bedrooms	60%	$635
6 Three-Bedrooms	60%	$726
3 One-Bedrooms	40%	$403
4 Two-Bedrooms	40%	$485
6 Three-Bedrooms	40%	$559
1 Two-Bedroom	Manager's Unit	$0

The general partner(s) or principal owner(s) are APD CA RD 2008 Management, LLC and Hearthstone Housing Foundation.

The project developer is Allied Pacific Development, LLC.

The management services will be provided by Hyder Property Management.

The market analysis was provided by Lea & Company.

The Local Reviewing Agency, Imperial Valley Housing Authority, has completed a site review of this project and strongly supports the project.

Project Financing

Estimated Total Project Cost: $5,498,564 Per Unit Cost: $91,643 Construction Cost Per Sq. Foot: $11

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual – Tax Exempt	$2,674,286	Washington Mutual – Tax Exempt	$1,393,546
USDA – Rural Development	$2,553,523	USDA – Rural Development	$2,553,523
Deferred Developer Fee	$134,175	Deferred Developer Fee	$38,595
Investor Equity	$136,578	Investor Equity	$1,512,900
		TOTAL	**$5,498,564**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$1,404,649
Requested Acquisition Eligible Basis:	$3,357,091
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$1,404,649
Qualified Acquisition Basis:	$3,357,091
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$40,092
Maximum Annual Federal Acquisition Credit:	$120,855
Total Maximum Annual Federal Credit:	$160,947
Approved Developer Fee:	$621,096
Tax Credit Factor: Boston Capital	$.9400

Applicant requests and staff recommends annual federal credits of $160,947 based on a qualified rehabilitation basis of $1,404,649, a qualified acquisition basis of $3,357,091, and a funding shortfall of $1,512,900.

Cost Analysis and Line Item Review

The requested eligible basis $4,761,740 is below TCAC's adjusted threshold basis limit $18,835,457. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, and 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 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: 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
$160,947	**$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: None.

Project Analyst: Stephenie Alstrom