

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2008

Project Number CA-2008-850

Project Name Poplar Street Apartments
Address: 10777 Poplar Street
Loma Linda, CA 92354 County: San Bernardino

Applicant Information

Applicant: 10777 Poplar St., L.P., a California limited partnership
Contact David Sclafani
Address: 15303 Ventura Boulevard, Suite 1100
Sherman Oaks, CA 91403
Phone: (818) 905-2430 **Fax:** (818) 905-2440
Sponsors Type: Nonprofit

Bond Information

Issuer: Loma Linda Redevelopment Agency
Expected Date of Issuance: September 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$13,950,948
Requested: \$13,950,948
Maximum Permitted: \$20,768,472

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: 51%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 54%

Tax Credit Amounts **Federal/Annual**

Requested: \$488,283
Recommended: \$488,283

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 44
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 43 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: 9

| <u>Unit Type & Number</u> | <u>2008 Rents % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|-----------------------------------------------|------------------------------------------------|
| 2 One-Bedroom | 35% | \$437 |
| 1 One-Bedroom | 40% | \$499 |
| 2 One-Bedroom | 50% | \$624 |
| 1 One-Bedroom | 60% | \$749 |
| 2 Two-Bedroom | 30% | \$449 |
| 2 Two-Bedroom | 35% | \$524 |
| 2 Two-Bedroom | 40% | \$599 |
| 7 Two-Bedroom | 50% | \$748 |
| 7 Two-Bedroom | 60% | \$898 |
| 2 Three-Bedroom | 30% | \$519 |
| 2 Three-Bedroom | 35% | \$605 |
| 1 Three-Bedroom | 40% | \$692 |
| 1 Three-Bedroom | 45% | \$779 |
| 4 Three-Bedroom | 50% | \$865 |
| 1 Three-Bedroom | 60% | \$1,038 |
| 1 Four-Bedroom | 30% | \$579 |
| 1 Four-Bedroom | 35% | \$676 |
| 1 Four-Bedroom | 40% | \$773 |
| 2 Four-Bedroom | 45% | \$869 |
| 1 Four-Bedroom | 50% | \$966 |
| 1 Three-Bedroom | Manager's Unit | \$1,002 |

The general partner or principal owner is Corporation for Better Housing.

The project developer is Corporation for Better Housing.

The management services will be provided by Beacon Property Management.

The market analysis was provided by Novogradac & Company, LLP.

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

Project Financing

Estimated Total Project Cost: \$14,425,020 Per Unit Cost: \$327,841 Construction Cost Per Sq. Foot: \$248

| Construction Financing | | Permanent Financing | |
|----------------------------|-------------|------------------------|---------------------|
| Source | Amount | Source | Amount |
| Alliant – Tax Exempt Bonds | \$9,000,000 | EF&A Funding, LLC | \$1,140,000 |
| City of Loma Linda RDA | \$4,000,000 | City of Loma Linda RDA | \$4,000,000 |
| Investor Equity | \$990,634 | HCD MHP loan | \$3,240,843 |
| | | General Partner Equity | \$1,048,637 |
| | | Deferred Developer Fee | \$809,000 |
| | | Investor Equity | \$4,186,540 |
| | | TOTAL | \$14,425,020 |

Determination of Credit Amount(s)

| | |
|--------------------------------------|--------------|
| Requested Eligible Basis: | \$13,950,948 |
| 130% High Cost Adjustment: | No |
| Qualified Basis: | \$13,950,948 |
| Applicable Rate: | 3.50% |
| Total Maximum Annual Federal Credit: | \$488,283 |
| Approved Developer Fee: | \$809,000 |
| Tax Credit Factor: Alliant Capital | \$0.857 |

Applicant requests and staff recommends annual federal credits of \$488,283 based on a qualified basis of \$13,950,948 and a funding shortfall of \$4,186,540.

Cost Analysis and Line Item Review

The requested eligible basis \$13,950,948 is below TCAC’s adjusted threshold basis limit \$20,768,472. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. 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 3.50% 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 |
| \$488,283 | \$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 required to provide the tenants with an after school program and educational classes 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: Gina Ferguson