

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

**Project Number** CA-2008-885

**Project Name** Niland Apartments  
Address: 17 West 4<sup>th</sup> Street  
Niland, CA 92257

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  
Sponsors Type: Joint Venture

Fax: (206) 621-7420

**Bond Information**

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

**Eligible Basis**

Actual: \$3,015,765  
Requested: \$3,015,765  
Maximum Permitted: \$13,615,029

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: 56%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$105,552	\$0
Recommended:	\$105,552	\$0

**Project Information**

Construction Type: Acquisition and Rehabilitation  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
Total # of Units: 38  
Total # Residential Buildings: 8

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
% & No. of Targeted Units: 100% - 37 units  
55-Year Use/Affordability Restriction: Yes  
Number of Units @ or below 50% of area median income: 21  
Number of Units @ or below 60% of area median income: 16

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 One-Bedrooms	60%	\$532
6 Two-Bedrooms	60%	\$635
5 Three-Bedrooms	60%	\$729
7 One-Bedroom	40%	\$403
8 Two-Bedrooms	40%	\$485
6 Three-Bedroom	40%	\$559
1 Three-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: \$3,482,153    Per Unit Cost: \$91,636    Construction Cost Per Sq. Foot: \$19

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Washington Mutual – Tax Exempt	\$1,693,714	Washington Mutual – Tax Exempt	\$656,453
USDA – Rural Development	\$1,687,220	USDA – Rural Development	\$1,687,220
Deferred Developer Fee	\$84,977	Deferred Developer Fee	\$146,293
Investor Equity	\$16,245	Investor Equity	\$992,187
		<b>TOTAL</b>	<b>\$3,482,153</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$889,607
Requested Acquisition Eligible Basis:	\$2,126,158
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$889,607
Qualified Acquisition Basis:	\$2,126,158
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$29,010
Maximum Annual Federal Acquisition Credit:	\$76,542
Total Maximum Annual Federal Credit:	\$105,552
Approved Developer Fee:	\$393,361
Tax Credit Factor: Boston Capital	\$.94

Applicant requests and staff recommends annual federal credits of \$105,552 based on a qualified rehabilitation basis of \$889,607, a qualified acquisition basis of \$2,126,158, and a funding shortfall of \$992,187.

**Cost Analysis and Line Item Review**

The requested eligible basis \$3,015,765 is below TCAC's adjusted threshold basis limit \$13,615,029. 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 3.50% 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
<b>\$105,552</b>	<b>\$0</b>

**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