CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 Second Round Cycle
Tax-Exempt Bond Project with State Credits
October 8, 2008

Project Number	CA-2008-909		

Project Name	Rosa Garden Apartments		
Site Address:	Corner of Rosa Parks Road and McCarthy Way		
	Palm Springs, CA 92202	County:	Riverside
Census Tract:	0446.01		

Applicant Information

Applicant:	Desert highlands Associates, L.P.	
Contact	John Mealey	
Address:	45701 Monroe Street, Suite G	
	Indio, CA 92201	
Phone:	(760)347-3157	Fax: (760)342-6466
Sponsors Type:	Non-Profit	

Information

Housing Type: Large Family

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	December, 2008
Credit Enhancement:	No

Eligible Basis

Actual:	$18,701,880
Requested:	$18,701,880
Maximum Permitted:	$29,339,815

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 46%
55-Year Use/Affordability Restriction – 2% for each 1% ach 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 64%

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$654,566	$2,431,244
Recommended:	$654,566	$2,431,244

Project Information

Construction Type:	New Construction
Federal Subsidy:	Tax-Exempt/HOME
HCD MHP Funding:	Yes
Total # of Units:	57
Total # Residential Buildings:	1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 56 units
55-Year Use/Affordability Restriction: Yes
Breakdown by %: 10% @ 30%, 20% @ 35%, 45% @ 50%
Number of Units @ or below 50% of area median income: 44
Number of Units @ or below 60% of area median income: 12

Selection Criteria	**Max. Possible Points**	**Requested Points**	**Points Awarded**
Owner/Management Characteristics **Maximum of 9 points**	***9***	***9***	***9***
General Partner Experience	*6*	6	6
Management Experience	*3*	3	3
Housing Needs **Maximum of 10 points**	***10***	***10***	***10***
Site Amenities **Maximum of 15 points**	***15***	***8***	***8***
Within 500 feet of a regular bus stop or rapid transit system stop	*4*	4	4
Within ½ mile of public park or community center open to general public	*2*	2	2
Within ½ mile of public library	*2*	2	2
Service Amenities **Maximum of 10 points**	***10***	***10***	***10***
After school programs of an ongoing nature for school age children	5	5	5
Educational classes (e.g. ESL)	*5*	5	5
Sustainable Building Methods **Maximum of 8 points**	***8***	***8***	***8***
Meets/exceeds LEEDS/Green Communities/GreenPoint Rated Multifamily Guidelines	8	8	8
Lowest Income **Maximum of 52 points**	***52***	***52***	***52***
Basic Targeting	*50*	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	*2*	2	2
Readiness to Proceed **Maximum of 20 points**	***20***	***20***	***20***
Total Points	***124***	***117***	***117***

Unit Type & Number		**2008 Rents % of Area Median Income**	**Proposed Rent** (including utilities)
3	One-Bedroom	35%	$437
5	One-Bedroom	50%	$624
2	Two-Bedroom	30%	$448
4	Two-Bedroom	35%	$524
8	Two-Bedroom	50%	$748
6	Two-Bedroom	60%	$898
3	Three-Bedroom	30%	$519
4	Three-Bedroom	35%	$605
10	Three-Bedroom	50%	$865
6	Three-Bedroom	60%	$1,038
1	Four-Bedroom	30%	$579
1	Four-Bedroom	35%	$676
3	Four-Bedroom	50%	$966
1	Three-Bedroom	Manager’s Unit	$0

The general partner or principal owner is Tlaquepaque Housing Corporation.

The project developer is Coachella Valley Housing Coalition.

The management services will be provided by Hyder & Company.

The market analysis was provided by Laurin Associates.

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

Project Financing
Estimated Total Project Cost: $21,136,542 Per Unit Cost: $370,817 Construction Cost Per Sq. Foot: $235

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank – Tax Exempt Bonds	$13,000,000	CCRC	$1,700,000
HCD – HOME	$3,900,000	HCD – MHP	$4,036,441
City of Palm Springs	$1,200,000	HCD – HOME	$3,962,749
CVHC – Take Back Loan For Land	$1,295,000	City of Palm Springs	$1,214,400
CVHC – GP Equity	$450,000	CVHC – GP Equity	$450,000
Investor Equity	$900,000	AHP	$570,000
		Deferred Developer Fee	$375,000
		GP Equity	$669,702
		Investor Equity	$8,158,250
		TOTAL	**$21,136,542**

Determination of Credit Amount(s)

Requested Eligible Basis:	$18,701,880
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	$18,701,880
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$654,566
State Credit Applicable Rate:	13%
Total State Credit:	$2,431,244
Approved Developer Fee:	$1,400,000
Tax Credit Factor: Community Economics	$.90880

Applicant requests and staff recommends annual federal credits of $654,566 and total state credits of $2,431,244, based on a qualified basis of $18,701,880 and a funding shortfall of $8,158,250.

Cost Analysis and Line Item Review
The requested eligible basis $18,701,880 is below TCAC's adjusted threshold basis limit $29,339,815. The basis limit includes the adjustment for the following extraordinary features: requirements to pay state or federal prevailing wages, payment of local development impact fees, 55-year use/affordability restriction for projects where 1% for each 1% of low-income units are income targeted between 50% AMI & 36% AMI, 55-year use/affordability restriction for projects where 2% for each 1% of low-income units are income targeted at 35% AMI & below, and for projects exceeding Title 24 by at least 35%. 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
$654,566	**$2,431,244**

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

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: David Navarrette