CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 8, 2008

Project Number CA-2008-920

Project Name Waterford Gardens Apartments
Address: 12313 Dorsey Street
Waterford, CA 95386 County: Stanislaus
Census Tract: 0028.02

Applicant Information
Applicant: Waterford Court, a California Limited Partnership
Contact Elva L. Grant
Address: 1008 Second Street, 2nd Floor
Sacramento, CA 95814
Phone: (916) 281-2472 Fax: (916) 554-7502
Sponsors Type: Nonprofit

Information
Housing Type: At-Risk

Bond Information
Issuer: CSCDA
Expected Date of Issuance: December 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $7,836,884
Requested: $7,836,884
Maximum Permitted: $18,528,070

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 84%

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$277,683	$0
Recommended:	$274,291	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: No
Total # of Units: 51
Total # Residential Buildings: 6

Income/Rent Targeting
Federal Setaside Elected: 20%/50%
% & No. of Targeted Units: 100% - 50 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 42
Number of Units @ or below 60% of area median income: 8

Unit Type & Number	**2008 Rents % of Area Median Income**	**Proposed Rent** (including utilities)
10 One-Bedroom	50%	$530
8 One-Bedroom	55%	$583
32 Two-Bedroom	50%	$636
1 Three-Bedrooms	Manager's Unit	$0

The general partner or principal owner is Dorsey Gardens, LLC.

The project developer is Housing Alternatives, Inc.

The management services will be provided by Hyder & Company.

The market analysis was provided by Lea & Company.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing
Estimated Total Project Cost: $8,646,855 Per Unit Cost: $167,646 Construction Cost Per Sq. Foot: $112

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
WaMu Construction Loan A	$1,200,000	WaMu	$1,200,000
WaMu Construction Loan B	$3,242,935	USDA	$1,456,928
USDA	$1,456,928	HCD - HOME	$3,412,500
HCD - HOME	$2,474,337	Deferred Developer Fee	$300,812
Deferred Developer Fee	$272,655	Investor Equity	$2,276,615
		TOTAL	**$8,675,012**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$6,929,038
Requested Acquisition Eligible Basis:	$907,846
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$6,929,038
Qualified Acquisition Basis:	$907,846
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$242,516
Maximum Annual Federal Acquisition Credit:	$31,775
Total Maximum Annual Federal Credit:	$274,291
Approved Developer Fee:	$951,634
Tax Credit Factor: Muli-Housing Partners, LLC	$0.83

Applicant requests $277,683, but staff recommends annual federal credits of $274,291, based on a qualified rehabilitation basis of $6,929,038, a qualified acquisition basis of $907,846, and a funding shortfall of $2,276,615. Please see the special issues section of this staff report.

Cost Analysis and Line Item Review
The requested eligible basis $7,836,884 is below TCAC's adjusted threshold basis limit $18,528,070. The basis limit includes the adjustment for extraordinary features for: requiring 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; 3 or more energy efficiency/resource conservation/indoor air quality items (exceeds Title 24 by at least 15%; using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system; using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used; using vent kitchen range hoods to the exterior of the building in at least 80% of the units; using Energy Star rated refrigerators, dishwashers, clothes washers, furnaces and air conditioners). 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: The recommended Federal Credit is different from what the applicant requested because the Appraisal's acquisition and rehabilitation costs for existing improvements are less than the purchase price (Reg. Section 10327(c)(7)). Staff adjusted accordingly.

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
$274,291	**$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 after school programs and educational classes, on-site or within ¼ mile of project, free of charge 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: Velia Martinez