

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

**Project Number** CA-2008-930

**Project Name** Santa Clara Terrace Apartments (a.k.a. Hidaway Apartments)  
**Address:** 27077 Hidaway Avenue  
Santa Clarita, CA 91351 County: Los Angeles

**Applicant Information**

**Applicant:** Mercy Housing California XLIII  
**Contact** Ben Phillips  
**Address:** 1500 South Grand Avenue, Suite 100  
Los Angeles, CA 90015  
**Phone:** (213) 743-5820 Fax: (213) 743-5828  
**Sponsors Type:** Nonprofit

**Bond Information**

**Issuer:** CalHFA  
**Expected Date of Issuance:** October 31, 2008  
**Credit Enhancement:** None

**Housing Type:** Large Family

**Eligible Basis**

**Actual:** \$9,866,088  
**Requested:** \$9,866,088  
**Maximum Permitted:** \$22,566,733

Extra Feature Adjustments: 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 45%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$378,226	\$0
Recommended:	\$378,226	\$0

**Project Information**

**Construction Type:** Acquisition and Rehabilitation  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**Total # of Units:** 67  
**Total # Residential Buildings:** 16

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 66 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 30  
**Number of Units @ or below 60% of area median income:** 36

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 Two-Bedroom	50%	\$852
13 Two-Bedroom	50%	\$852
24 Two-Bedroom	60%	\$954
4 Three-Bedroom	50%	\$948
3 Three-Bedroom	50%	\$985
12 Three-Bedroom	60%	\$1,179
1 Two-Bedroom	Manager's Unit	\$0

The general partner or principal owner is Mercy Housing Calwest.

The project developer is Mercy Housing California.

The management services will be provided by the John Stewart Company.

The market analysis was provided by Raney Planning & Management.

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

**Project Financing**

Estimated Total Project Cost: \$13,452,107    Per Unit Cost: \$200,778    Construction Cost Per Sq. Foot: \$37

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CalHFA – Tax Exempt Bonds	\$8,370,000	CalHFA – Tax Exempt Bonds	\$4,760,000
CalHFA – HAT Loan	\$700,000	CalHFA – HAT Loan	\$700,000
City of Santa Clarita RDA	\$1,150,000	City of Santa Clarita RDA	\$1,700,000
County of Los Angeles	\$1,600,000	County of Los Angeles	\$1,600,000
Seller Purchase Credit	\$100,000	Seller Purchase Credit	\$100,000
Income from Operations	\$274,313	Income from Operations	\$274,313
Deferred Costs/Developer Fee	\$1,175,610	Deferred Developer Fee	\$643,400
Investor Equity	\$82,184	FHLB – AHP	\$320,000
		Investor Equity	\$3,354,394
		<b>TOTAL</b>	<b>\$13,452,107</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$3,134,550
Requested Acquisition Eligible Basis:	\$6,731,538
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$4,074,915
Qualified Acquisition Basis:	\$6,731,538
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$142,622
Maximum Annual Federal Acquisition Credit:	\$235,604
Total Maximum Annual Federal Credit:	\$378,226
Approved Developer Fee in Project Cost:	\$1,286,800
Approved Developer Fee in Eligible Basis:	\$1,286,800
Tax Credit Factor: CA Housing Partnership	\$0.8869

Applicant requests and staff recommends annual federal credits of \$378,226, based on a qualified rehabilitation basis of \$4,074,915, a qualified acquisition basis of \$6,731,538, and a funding shortfall of \$3,354,394.

**Cost Analysis and Line Item Review**

The requested eligible basis \$9,866,088 is below TCAC's adjusted threshold basis limit \$22,566,733. The basis limit includes the adjustment for extraordinary feature 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 with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues section below.

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 applicant's estimate of contractor profit, overhead and general requirement costs exceed the limits established by regulation. At the final review at placed-in-service prior to the issuance of the IRS 8609 forms, costs or eligible basis in excess of the limit will not be allowed.

**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>\$378,226</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:** 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:** Jack Waegell