CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 3, 2008
REVISED

Project Number CA-2008-950

Project Name Shadow Way Apartments
Address: 4707 Yuma Avenue
Oceanside, CA 92057 County: San Diego

Applicant Information
Applicant: Shadow Way Holdings, LLC
Contact Tony Hladek
Address: 595 South Riverwoods Parkway, Suite 400
Logan, UT 84321
Phone: (949) 367-1393 Fax: (949) 367-0244
Email:
Sponsors Type: Joint Venture

Information
Housing Type: Non-Targeted

Bond Information
Issuer: City of Oceanside
Expected Date of Issuance: February 2009
Credit Enhancement: Freddie Mac

Eligible Basis
Actual: $23,070,709
Requested: $23,070,709
Maximum Permitted: $33,777,792

Extra Feature Adjustments:
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 9%

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$867,265	$0
Recommended:	$867,265	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 144
Total # Residential Buildings: 18

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 143 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or Below 50% of Area Median Income: 15
Number of Units @ or Below 60% of Area Median Income: 128

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
15 Two-Bedroom	50%	$811
63 Two-Bedroom	60%	$974
65 Two-Bedroom	60%	$1,067
1 Two-Bedroom	Manager's Unit	$939

The general partner(s) or principal owner(s) are Shadow Way Apartments, LP and Western Community Housing, Inc.

The project developer is Wasatch Advantage Group.

The management services will be provided by Wasatch Property Management.

The market analysis was provided by Novogradac & Company.

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

Project Financing

Estimated Total Project Cost: $28,020,205 Per Unit Cost: $194,585 Construction Cost Per Sq. Foot: $41

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Prudential - Tax Exempt Bond	$14,500,000	Prudential - Tax Exempt Bond	$14,500,000
City of Oceanside	$5,600,000	City of Oceanside	$5,600,000
Costs paid at closing	$2,273,466	Deferred Developer Loan	$375,000
Investor Equity	$5,646,739	Investor Equity	$7,545,205
		TOTAL	**$28,020,205**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$6,038,315
Requested Acquisition Eligible Basis:	$17,032,394
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$7,849,810
Qualified Acquisition Basis:	$17,032,394
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$273,604
Maximum Annual Federal Acquisition Credit:	$593,661
Total Maximum Annual Federal Credit:	$867,265
Approved Developer Fee:	$2,500,000
Tax Credit Factor: Redstone Equity Partners	$0.87

Applicant requests annual federal credits of $867,265, based on a qualified rehabilitation basis of $8,030,497, a qualified acquisition basis of $16,893,404, and a funding shortfall of $7,545,205. Staff recommends annual federal credits of $867,265, based on a qualified rehabilitation basis of $7,849,810, a qualified acquisition basis of $17,032,394, and a funding shortfall of $7,545,205. In determining the portion of the developer fee in eligible basis, the applicant included developer fee rehabilitation basis above the 15% limit and applied the 130% high cost area adjuster to this excess rehabilitation basis. Staff adjusted accordingly.

Cost Analysis and Line Item Review
The requested eligible basis $23,070,709 is below TCAC's adjusted threshold basis limit $33,777,792. The basis limit includes the adjustment for extraordinary features for a 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: Staff confirmed with the applicant that the $0.87 credit purchase price is the latest price indicated by the investor.

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
$867,265	**$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 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