

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2011

Project Number CA-2011-810

Project Name Silsby Gardens Apartments
 Site Address: 200 North 9th Street
 Blythe, CA 92225 County: Riverside
 Census Tract: 461.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$227,052	\$0
Recommended:	\$227,052	\$0

Applicant Information

Applicant: Highland Property Development LLC
 on behalf of HPD Silsby Gardens LP

Contact: Kristoffer J. Kaufmann
 Address: 250 West Colorado Boulevard, Suite 210
 Arcadia, CA 91007

Phone: (626) 294-9525 Fax: (626) 294-9270
 Email: k.kaufmann@highlandcompanies.com

General partner(s) or principal owner(s): HPD Silsby Gardens LLC
 National Housing Corporation, Inc.

General Partner Type: Nonprofit
 Developer: Highland Property Development LLC
 Investor/Consultant: Boston Capital
 Management Agent: Hyder and Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 51
 No. & % of Tax Credit Units: 50 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt/HUD Project Based Section 8 (100% - 50 Units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 5
 Number of Units @ or below 60% of area median income: 45

Information

Housing Type: At-Risk
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: DC Navarrette

Bond Information

Issuer: CALHFA
 Expected Date of Issuance: 5/1/2011
 Credit Enhancement: No

Unit Mix

38 2-Bedroom Units
13 3-Bedroom Units
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51 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 2 Bedrooms	50%	49%	\$713
2 3 Bedrooms	50%	50%	\$838
35 2 Bedrooms	60%	49%	\$713
10 3 Bedrooms	60%	50%	\$838
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$6,601,672	Construction Cost Per Square Foot:	\$41
		Per Unit Cost:	\$129,445

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$4,750,000	Citibank	\$4,750,000
Tax Credit Equity	\$635,746	Deferred Developer Fee	\$262,306
		Tax Credit Equity	\$1,589,366
		TOTAL	\$6,601,672

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,036,805
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,730,870
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,947,847
Qualified Basis (Acquisition):	\$2,730,870
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$134,202
Maximum Annual Federal Credit, Acquisition:	\$92,850
Total Maximum Annual Federal Credit:	\$227,052
Approved Developer Fee (in Project Cost & Eligible Basis):	\$752,305
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.70000

Per Regulation Section 10322(i)(4)(A), The "as if vacant" land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$5,767,675
Actual Eligible Basis:	\$5,767,675
Unadjusted Threshold Basis Limit:	\$12,239,360
Total Adjusted Threshold Basis Limit:	\$13,463,296

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. 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 3.40% 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

Local Reviewing Agency:

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.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$227,052	\$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 preliminary 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 as presented 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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 high-speed internet and educational classes 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.