CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2011 Second Round
September 28, 2011

Project Number	CA-2011-882	
Project Name	Hallmark Apartments	
Site Address:	8964 Hall Road	
	Lamont, CA 93241	County: Kern
Census Tract:	64.010	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$137,237	$524,728
Recommended:	$131,945	$504,496

Applicant Information

Applicant:	Golden Empire Affordable Housing, Inc. II	
Contact:	Danny Fred	
Address:	601 24th Street, Suite B	
	Bakersfield, CA 93301	
Phone:	415-898-1750	Fax: 415-898-0789
Email:	dannyfred@verizon.net	

General partner(s) or principal owner(s):	Golden Empire Affordable Housing, Inc. II
	DFA Development LLC
General Partner Type:	Joint Venture
Developer:	GEAHI II / DFA Development LLC
Investor/Consultant:	PNC Bank
Management Agent:	Interstate Realty Management Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	48
No. & % of Tax Credit Units:	47 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax Exempt / HOME / USDA RHS 515 & Rental Assistance (40 units - 85%)

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	5	10 %
45% AMI:	12	25 %
50% AMI:	20	40 %

Bond Information

Issuer:	Housing Authority of the County of Kern
Expected Date of Issuance:	12/20/11
Credit Enhancement:	None

Information

Set-Aside:	N/A
Housing Type:	At-Risk
Geographic Area:	Central Region
TCAC Project Analyst:	Nicola Hil

Unit Mix

16	1-Bedroom Units
32	2-Bedroom Units
48	Total Units

Unit Type & Number		2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	30%	30%	$322
4	1 Bedroom	45%	45%	$483
7	1 Bedroom	50%	50%	$536
4	1 Bedroom	60%	57%	$616
4	2 Bedrooms	30%	30%	$386
8	2 Bedrooms	45%	45%	$579
13	2 Bedrooms	50%	50%	$643
6	2 Bedrooms	60%	53%	$684
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing

Estimated Total Project Cost:	$4,656,656	Construction Cost Per Square Foot:	$38
		Per Unit Cost:	$97,014

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
Rabobank	$2,600,000	Rabobank	$1,250,000
USDA RHS 515	$988,279	USDA RHS 515	$988,279
GP Equity	$437,150	County of Kern- HOME	$400,000
Tax Credit Equity	$300,000	GP Equity	$437,150
		Deferred Developer Fee	$157,107
		Tax Credit Equity	$1,424,120
		TOTAL	**$4,656,656**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$2,246,695
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$1,634,049
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$2,246,695
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	$1,634,049
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$76,388
Maximum Annual Federal Credit, Acquisition:	$55,557
Total Maximum Annual Federal Credit:	$131,945
Total State Credit:	$504,496
Approved Developer Fee in Project Cost:	$526,483
Approved Developer Fee in Eligible Basis:	$370,859
Investor/Consultant:	PNC Bank
Federal Tax Credit Factor:	$0.84992
State Tax Credit Factor:	$0.60000

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:	$3,880,744
Actual Eligible Basis:	$3,880,744
Unadjusted Threshold Basis Limit:	$9,270,064
Total Adjusted Threshold Basis Limit:	$17,427,720

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: 68%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

Tie-Breaker Information

Final: **N/A**

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. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: The applicant incorrectly calculated the amount of developer fee allowable in eligible basis. Staff reduced the developer fee in basis to meet TCAC requirements leading to a reduction in the Federal and State tax credit awards. Staff then adjusted accordingly.

The syndicator letter states total syndication expenses will be roughly 10.4% of gross proceeds. Per regulation section 10327(c)(3) this cannot exceed 10% in a private offering. The developer is advised the total syndication expenses must be in compliance with regulations by placed in service

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:
The Local Reviewing Agency, Housing Authority of the County of Kern, has completed a site review of this project and supports this project.

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
$131,945	**$504,496**

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.

The applicant must submit all documentation required for any Readiness 180-Day Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 a reservation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	**9**	**9**	**9**
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	**10**	**10**	**10**
Site Amenities	**15**	**15**	**15**
Within 1,500 ft of a regular bus stop or rapid transit system stop	3	3	3
Within ¼ mile of public park or community center open to general public	3	0	3
Within ½ mile of public park or community center open to general public	2	2	0
Within ¼ mile of public library	3	0	3
Within ½ mile of public library	2	2	0
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	0
Within ½ mile of a neighborhood market of at least 5,000 sf	3	0	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	0
Service Amenities	**10**	**0**	**0**
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Sustainable Building Methods	**10**	**10**	**10**
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	7	7	7
Additional rehab measures: Solar hot water	3	3	3
Additional rehab measures: Management practices	3	3	3
Lowest Income	**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	**20**	**15**	**10**
Total Points	**126**	**111**	**106**

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.