CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2011
REVISED

Project Number	CA-2011-912

Project Name	Poso Manor & Rose Valley
Site Address:	830 16th Street (Poso Manor), 1840 Poplar Avenue (Rose Valley)
	Wasco, CA 93280 County: Kern
Census Tract:	44.02 (Poso Manor), 43.01 (Rose Valley)

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$275,640	$0
Recommended:	$275,640	$0

Applicant Information

Applicant:	KC Investment Group, L.P.
Contact:	Ronald D. Bettencourt
Address:	670 Auburn Folsom Rd., Suite. 106, PMB 101
	Auburn, CA 95603
Phone:	(530) 745-9990 Fax: (530) 745-9962
Email:	whitecapcoastal@sbcglobal.net

General partner(s) or principal owner(s):	Bettencourt Properties, Inc.
	The Beneficial Housing Foundation
General Partner Type:	Joint Venture
Developer:	WNC Community Preservation Partners, LLC
Investor/Consultant:	WNC & Associates
Management Agent:	AWI Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	11
Total # of Units:	100
No. & % of Tax Credit Units:	98 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax Exempt / USDA Existing Loan & Rental Assistance (93 units: 95%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	31
Number of Units @ or below 60% of area median income:	67

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	11/01/11
Credit Enhancement:	USDA RHS 538 Guaranteed Rural Rental Housing Program

Information

Housing Type:	At-Risk
Geographic Area:	Central Region
TCAC Project Analyst:	Nicola Hil

Unit Mix

12	1-Bedroom Units
79	2-Bedroom Units
7	3-Bedroom Units
2	4-Bedroom Units
100	Total Units

Unit Type & Number		2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	50%	$536
18	2 Bedrooms	50%	50%	$643
6	1 Bedroom	60%	56%	$600
37	2 Bedrooms	60%	54%	$695
1	1 Bedroom	50%	50%	$536
7	2 Bedrooms	50%	50%	$643
2	3 Bedrooms	50%	50%	$743
1	4 Bedrooms	50%	50%	$830
3	1 Bedroom	60%	56%	$600
16	2 Bedrooms	60%	55%	$711
4	3 Bedrooms	60%	55%	$818
1	4 Bedrooms	60%	58%	$959
2	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing

Estimated Total Project Cost:	$8,880,759	Construction Cost Per Square Foot:	$34
		Per Unit Cost:	$88,808

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Rabobank, N.A.	$4,220,000	Bonneville Multifamily Capital	$2,925,000
USDA Rural Development	$3,017,664	USDA Rural Development	$3,017,664
Cash Flow from Operations	$58,050	Cash Flow from Operations	$58,050
Existing Replacement Reserves	$252,881	Existing Replacement Reserves	$252,881
Deferred Developer Fee	$700,094	Deferred Developer Fee	$449,876
Tax Credit Equity	$632,070	Tax Credit Equity	$2,177,288
		TOTAL	**$8,880,759**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,677,821
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$3,619,187
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,487,889
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	$3,619,187
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$152,588
Maximum Annual Federal Credit, Acquisition:	$123,052
Total Maximum Annual Federal Credit:	$275,640
Approved Developer Fee (in Project Cost & Eligible Basis):	$7,297,008
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.78990

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:	$7,297,008
Actual Eligible Basis:	$7,297,008
Unadjusted Threshold Basis Limit:	$20,635,646
Total Adjusted Threshold Basis Limit:	$27,032,696

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: 31%

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 Rose Valley site is a re-syndication of tax credit project CA-1994-090. The Poso Manor site is located in a QCT, but the Rose Valley site is not located in a QCT; TCAC staff prorated the 130% basis boost accordingly.

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**
$275,640	**$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: None