CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2013

Project Number	CA-13-855			
Project Name	Tulare Arms Apartments			
Site Address:	225 West Tulare Avenue			
	Shafter,	CA	93263	County: Kern
Census Tract:	40.000			

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$144,413	$0
Recommended:	$144,413	$0

Applicant Information

Applicant:	Golden Empire Affordable Housing, Inc. II		
Contact:	Randy Coats		
Address:	601 24th Street, Suite B		
	Bakersfield, CA 93301		
Phone:	661-633-1533	Fax:	661-633-1617
Email:	randy@geahi.org		

General Partner(s) or Principal Owner(s):	Golden Empire Affordable Housing, Inc. II (GEAHI II) DFA Development, LLC
General Partner Type:	Joint Venture
Developer:	GEAHI II / DFA Development LLC
Investor/Consultant:	PNC Bank
Management Agent:	Valley Fair Realty

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	48
No. & % of Tax Credit Units:	47 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / USDA RHS 515 / RHS 521 (93% - 44 units)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	15
Number of Units @ or below 60% of area median income:	32

Bond Information

Issuer:	Housing Authority - County of Kern
Expected Date of Issuance:	October 10, 2013
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Central Valley Region
TCAC Project Analyst:	Benjamin Schwartz

Unit Mix

33	2-Bedroom Units
15	3-Bedroom Units
48	Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10	2 Bedrooms	50%	50%	$645
20	2 Bedrooms	60%	60%	$773
2	2 Bedrooms	60%	43%	$560
5	3 Bedrooms	50%	50%	$745
9	3 Bedrooms	60%	55%	$825
1	3 Bedrooms	60%	46%	$688
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing

Estimated Total Project Cost:	$5,133,780
Estimated Residential Project Cost:	$5,133,780

Residential

Construction Cost Per Square Foot:	$41
Per Unit Cost:	$106,954

Construction Financing

Source	Amount
PNC Real Estate	$3,000,000
USDA/RD 515 Loan	$1,128,000
Existing Reserves	$76,000
Post Rehabilitation Sources	$664,087
Tax Credit Equity	$265,693

Permanent Financing

Source	Amount
Bonneville MultiFamily Capital	$2,150,000
USDA/RD 515 Loan	$1,128,000
Existing Reserves	$76,000
County of Kern - HOME	$400,000
Deferred Developer Fee	$51,313
Tax Credit Equity	$1,328,467
TOTAL	**$5,133,780**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$2,829,307
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$1,683,600
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$2,829,307
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	$1,683,600
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$90,538
Maximum Annual Federal Credit, Acquisition:	$53,875
Total Maximum Annual Federal Credit:	$144,413
Approved Developer Fee (in Project Cost & Eligible Basis):	$588,640
Investor/Consultant:	PNC Bank
Federal Tax Credit Factor:	$0.91991

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:	$4,512,907
Actual Eligible Basis:	$4,512,907
Unadjusted Threshold Basis Limit:	$11,442,240
Total Adjusted Threshold Basis Limit:	$14,989,334

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 3.20% 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 syndicator letter states total syndication expenses will be roughly 10.6% 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.

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
$144,413	**$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 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.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:
  (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).