

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 First Round Cycle
June 6, 2007

Project Number CA-2007-073

Project Name Corcoran Family Apartments (also known as Dairy Villas)
 Site Address: 1830 Dairy Avenue
 Corcoran, CA 93212 County: Kings
 Census Tract: 13

Applicant Information

Applicant: Corcoran Family Housing Partners, L.P.
 Contact: Mr. Kevin P. Payne
 Address: 31920 Del Obispo, Suite 260
 San Juan Capistrano, CA 92675
 Phone: (949) 542-8700 Fax: (949) 542-8702 Email: kpayne@paynedev.com
 General Partner Type: Joint Venture

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A

Eligible Basis

Requested: \$10,304,227
 Actual: \$10,304,227
 Maximum Permitted: \$12,566,215

Adjustments to Threshold Basis Limit: Local Impact Fees
 3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,089,589	\$0
Recommended:	\$1,089,589	\$0

Project Information

Construction Type: New Construction
 Federal Subsidy: None
 Total # of Units: 69
 Total # Residential Buildings: 9

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
 % & No. of Tax Credit Units: 100% - 68 units
 Breakdown by %: 10% @ 30%, 25% @ 50%, 50% @ 55%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Cost Efficiency	18	18	18
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<i>Owner / Management Characteristics</i> Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Negative Points			
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within 500 feet of a regular bus stop or rapid transit system stop	4	4	4
<input checked="" type="checkbox"/> Rural project within ½ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of public library	2	2	2
<input checked="" type="checkbox"/> Rural project within ½ mile of a full-scale grocery store w/staples, fresh meat/produce	4	4	4
<input checked="" type="checkbox"/> Rural Large Family project within ½ mile of public school project children may attend	3	3	3
<input checked="" type="checkbox"/> Rural project within 1 mile of medical clinic or hospital	3	3	3
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde free insulation	1	1	1
<i>Lowest Income</i> Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum 20 points	20	20	20
<i>State credit substitution</i> Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Large Family**

Second: Calculated Ratio per Regulation 10325(c)(12) **90.953%**

Unit Type & Number	2006 Rents for 1st Round 2007 % of Area Median Income	Proposed Rent (including utilities)
1 Two-Bedroom	30%	\$342
4 Two-Bedroom	50%	\$571
8 Two-Bedroom	55%	\$628
3 Two-Bedroom	60%	\$685
4 Three-Bedroom	30%	\$396
9 Three-Bedroom	50%	\$660
18 Three-Bedroom	55%	\$726
5 Three-Bedroom	60%	\$792
2 Four-Bedroom	30%	\$441
4 Four-Bedroom	50%	\$736
8 Four-Bedroom	55%	\$809
2 Four-Bedroom	60%	\$883
1 Two-Bedroom	Manager's Unit	\$575

The general partners or principal owners are Payne Development LLC and the Las Palmas Foundation.

The project developer is Payne Development LLC.

The management agent is WRMC, Inc.

The market analyst is Novogradac and Company.

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

Project Financing

Estimated Total Project Cost: **\$13,139,125** Per Unit Cost: **\$190,422** Construction Cost Per Sq. Foot: **\$87**

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
The Richman Groups	\$7,550,000	CCRC	\$2,374,000
Developer Loan	\$1,005,956	Developer Loan	\$579,505
The Richman Group AH Corp.	\$4,583,529	Investor Equity	\$10,185,260
		Total	\$13,139,125

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,304,227
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$267,910
Qualified Basis:	\$13,127,585
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$1,089,589
Total State Credit:	\$0
Approved Developer Fee in Project Cost	\$1,200,000
Approved Developer Fee in Eligible Basis:	\$1,200,000
Tax Credit Factor: The Richman Group	\$0.93481

Applicant requests and staff recommends annual federal credits of **\$1,089,589**, based on a qualified basis of \$13,127,585 and a funding shortfall of \$10,185,260.

Cost Analysis and Line Item Review

The requested eligible basis **\$10,304,227** is below TCAC's threshold basis limit \$12,566,215. The basis limit includes the adjustments for the following extraordinary features; local development impact fees and the adjustment for projects with 3 or more energy efficiency items for exceeding Title 24 by at least 15%, installing CRI Green Label Plus carpet, or no carpet in all bedrooms, and using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board's Recycled Content Products Database. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitations with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues section of this report below.

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 **8.30%** 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's estimate of the contractor profit, overhead, and general requirement costs and eligible basis exceed the 14% limit established in regulation. The applicant is cautioned that costs and eligible basis in excess of the limits set by regulation will not be allowed at final feasibility review prior to the issuance of the IRS 8609 forms.

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.

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:

\$1,089,589 Federal/Annual

\$0 State/Total

Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2007**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

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)(8) 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)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **November 2, 2007**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Jack Waegell