

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2007 2nd Round Cycle**  
**Tax-Exempt Bond Project with State Credits**  
**September 26, 2007**

**Project Number** CA-2007-875

**Project Name** Los Banos Family Apartments  
**Address:** 1425 Ward Road  
 Los Banos, CA 93635 **County:** Merced  
**Census Tract:** 23.02

**Applicant Information**

**Applicant:** Ward Road Apartments, L.P.  
**Contact** David Sclafani  
**Address:** 15303 Ventura Blvd., Suite 1100  
 Sherman Oaks, CA 91403  
**Phone:** (818) 905-2430 **Fax:** (818) 905-2440 **email:** dsclafani@sbcglobal.net  
**Sponsors Type:** Nonprofit

**Information**

**Housing Type:** Large Family

**Bond Information**

**Issuer:** The Redevelopment Agency of the City of Los Banos  
**Expected Date of Issuance:** December 15, 2007  
**Credit Enhancement:** None

**Bond Information**

**Issuer:** The Redevelopment Agency of the City of Los Banos  
**Expected Date of Issuance:** December 15, 2007  
**Credit Enhancement:** None

**Aggregate Basis** 75%

**Extra Feature Adjustments:**

**Required to Pay Prevailing Wages:** 20%   
**55-Year Use/Rent Restriction Adjustment:** 120%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$863,114	\$3,116,801
Recommended:	\$863,114	\$3,116,801

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** Yes  
**Total # of Units:** 105  
**Total # Residential Buildings:** 7

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100%-103 units  
**55-Year Use/Affordability Restriction:** Yes  
**Breakdown by %:** 10% @ 30%, 10% @ 35%, 10% @ 40%, 10% @ 45%, 30% @ 50%  
**Number of Units @ or below 50% of area median income:** 80  
**Number of Units @ or below 60% of area median income:** 23

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b> Maximum of 9 points	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Housing Needs</b> Maximum of 10 points	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b> Maximum of 15 points	<b>15</b>	<b>15</b>	<b>14</b>
<input checked="" type="checkbox"/> Within 1/3 mile of a bus stop with service every 30 minutes during rush hours	5	5	5
<input checked="" type="checkbox"/> Within 1/2 mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within 1/4 mile of a full-scale grocery store with staples, fresh meat and fresh	4	4	4
<input checked="" type="checkbox"/> Large Family project within 1/2 mile of public school that project children may attend	2	2	2
<input checked="" type="checkbox"/> Within 1/2 mile of a pharmacy	1	1	1
<b>Sustainable Building Methods</b> Maximum of 8 points	<b>8</b>	<b>8</b>	<b>8</b>
<input type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input type="checkbox"/> No-VOC interior paint	1	1	1
<input type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input type="checkbox"/> Rainwater retention at 1/2 inch rainfall per 24-hour period	1	1	1
<input type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
<b>Lowest Income</b> Maximum of 52 points	<b>52</b>	<b>52</b>	<b>52</b>
<b>Readiness to Proceed</b> Maximum of 20 points	<b>20</b>	<b>5</b>	<b>5</b>
<b>Total Points</b>	<b>124</b>	<b>99</b>	<b>98</b>

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent</u>
2 One-bedroom units	30%	\$289
4 Two-bedroom units	30%	\$348
4 Three-bedroom units	30%	\$401
1 Four-bedroom unit	30%	\$447
2 One-bedroom units	35%	\$338
4 Two-bedroom units	35%	\$406
4 Three-bedroom units	35%	\$468
1 Four-bedroom unit	35%	\$522
2 One-bedroom units	40%	\$386
4 Two-bedroom units	40%	\$464
4 Three-bedroom units	40%	\$535
2 Four-bedroom units	40%	\$596
2 One-bedroom units	45%	\$434
4 Two-bedroom units	45%	\$522
4 Three-bedroom units	45%	\$602
1 Four-bedroom unit	45%	\$671
4 One-bedroom units	50%	\$483
14 Two-bedroom units	50%	\$580
14 Three-bedroom units	50%	\$669
3 Four-bedroom units	50%	\$746
4 One-bedroom units	60%	\$579
10 Two-bedroom units	60%	\$696
8 Three-bedroom units	60%	\$802
1 Four-bedroom unit	60%	\$895
2 Three-bedroom units	Manager's units	\$737

The project developer is Corporation for Better Housing.

The management services will be provided Beacon Property Management.

The market analysis was provided by Novogradac & Company.

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

**Project Financing**

Actual Total Project Cost: \$24,794,252 Per Unit Cost: \$236,136 Construction Cost Per Sq. Ft.: \$169

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank—T/E Bonds	\$18,000,000	Citibank—T/E Bonds	\$1,5665,000
Los Banos RDA	\$941,000	Los Banos RDA	\$941,000
HCD/JSJFHG	\$3,500,000	HCD/JSJFHG	\$3,500,000
AHP	\$1,000,000	HCD/MHP	\$6,800,000
Investor Equity	\$572,965	AHP	\$1,000,000
		Deferred Developer Fee	\$63,759
		Investor Equity	\$10,924,493
		<b>TOTAL</b>	<b>\$24,794,252</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$23,975,395
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$23,975,395
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$863,114
State Credit Applicable Rate:	13%
Maximum Allowable State Credit:	\$3,116,801
Approved Developer Fee:	\$1,292,500
Tax Credit Factor:	\$.93000

Applicant requested and staff recommends annual federal credits of \$863,114 and state credits of \$3,116,801, based on a qualified basis of \$23,975,395, and a funding shortfall of \$10,924,493.

**Cost Analysis and Line Item Review**

The requested eligible basis \$23,975,395 is below TCAC’s adjusted threshold basis limit \$37,575,682. The basis limit was increased by the following extraordinary features: the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, and projects that are required to pay state or federal prevailing wages. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitation.

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 3.60% 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:** 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.

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

Federal/Annual	State/Total
\$863,114	\$3,116,801

### 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.

TCAC makes the 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 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 anticipated to be the final project costs, 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 of the buildings as completed.

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 credits 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**

Project Analyst: gb