

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2007

Project Number CA-2007-894

Project Name Oxford Terrace Apartments
Address: 555 Oxford Street
Chula Vista, CA 91911 County: San Diego

Applicant Information

Applicant: Oxford Terrace Partners, L.P.
Contact: Robb Lally
Address: 3737 Fifth Avenue, Suite 203
San Diego, CA 92103
Phone: (619) 542-1877 Fax: (619) 542-0264
Sponsors Type: Nonprofit

Bond Information

Issuer: Housing Authority of the City of Chula Vista
Expected Date of Issuance: October 2007
Credit Enhancement: Red Mortgage Capital, Inc. – FHA – 223(f)

Eligible Basis

Actual: \$8,839,986
Requested: \$8,839,986
Maximum Permitted: \$43,678,052

Extra Feature Adjustments:
55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$265,931	\$0
Recommended:	\$265,931	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 132
Total # Residential Buildings: 11

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 79.1% - 105 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 42
Number of Units @ or below 60% of area median income: 63

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 One-Bedrooms	50%	\$374
12 One-Bedrooms	50%	\$374
5 One-Bedrooms	60%	\$391
14 One-Bedrooms	60%	\$442
5 Two-Bedrooms	50%	\$466
11 Two-Bedrooms	50%	\$474
44 Two-Bedrooms	60%	\$550
5 Three-Bedrooms	50%	\$628
1 Three-Bedroom	Manager's Unit	\$0
1 Two-Bedroom	Manager's Unit	\$0
19 Two-Bedrooms	Market Rate	\$550
6 Three-Bedrooms	Market Rate	\$628

The general partner or principal owner is Anaheim Gardens, LLC.

The project developer is Alpha Project.

The management services will be provided by Tarantino Property Management Company.

The market analysis was provided by VWB Research.

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.

Project Financing

Estimated Total Project Cost: \$9,376,132 Per Unit Cost: \$72,124 Construction Cost Per Sq. Foot: \$26

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Red Mortgage Capital, Inc.	\$2,431,600	Red Mortgage Capital, Inc.	\$2,122,800
Alpha Project, Inc.	\$2,240,448	IRP	\$308,800
Oxford Gardens Community Assoc.	\$2,047,265	Alpha Project, Inc.	\$2,240,448
Cash/Existing Reserves	\$453,325	Oxford Gardens Community Assoc.	\$2,047,265
Deferred Developer Fee	\$199,117	Deferred Developer Fee	\$77,293
Equity Bridge Loan	\$1,622,934	Investor Equity	\$2,579,526
		TOTAL	\$9,376,132

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,319,986
Requested Acquisition Eligible Basis:	\$5,520,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	79.1%
Qualified Rehabilitation Basis:	\$3,413,942
Qualified Acquisition Basis:	\$4,366,320
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$108,743
Maximum Annual Federal Acquisition Credit:	\$157,188
Total Maximum Annual Federal Credit:	\$265,931
Approved Developer Fee:	\$1,153,042
Tax Credit Factor:	\$.97000

Applicant requests and staff recommends annual federal credits of \$265,931, based on a qualified rehabilitation basis of \$3,413,942, a qualified acquisition basis of \$4,366,320, and a funding shortfall of \$2,579,526.

Cost Analysis and Line Item Review

The requested eligible basis \$8,839,986 is below TCAC's adjusted threshold basis limit \$43,678,052. The basis limit includes 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. 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
\$265,931	\$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.

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: The applicant/owner is required to provide the tenants with after school programs and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Stephenie Alstrom