

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

Project Number CA-2007-897

Project Name Ridgewood / La Loma
Address: 5412 47th Avenue / 2088 West La Loma Drive
Sacramento, CA 95824 / Rancho Cordova, CA 95670 County: Sacramento

Applicant Information

Applicant: RL Affordable, L.P.
Contact Ken Reiner
Address: 8105 Irvine Center Drive, Suite 830
Irvine, CA 92618
Phone: (949) 753-0555 **Fax:** (949) 753-7590
Sponsors Type: Joint Venture

Bond Information

Issuer: CalHFA
Expected Date of Issuance: October 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$6,430,179
Requested: \$6,430,179
Maximum Permitted: \$26,627,872

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

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$268,549	\$0
Recommended:	\$268,549	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HUD Section 8
HCD MHP Funding: No
Total # of Units: 75
Total # Residential Buildings: 13

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 73
55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income: 23
Number of Units @ or below 60% of area median income: 50

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 One Bedroom	50%	\$604
2 One Bedroom	50%	\$630
4 One Bedroom	60%	\$604
2 One Bedroom	60%	\$634
4 One Bedroom	60%	\$689
2 One Bedroom	60%	\$734
12 Two Bedroom	50%	\$756
12 Two Bedroom	60%	\$833
13 Two Bedroom	60%	\$843
4 Three Bedroom	50%	\$840
1 Three Bedroom	50%	\$873
7 Three Bedroom	60%	\$952
6 Three Bedroom	60%	\$1,048
2 Two Bedroom	Managers' Units	\$0

The general partners or principal owners are RL AGP, L.P. and Las Palmas Housing Development Corporation.

The project developer is Bentall Residential.

The management services will be provided by the John Stewart Company.

The market analysis was provided by Novogradac & Company, LLP.

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: \$7,624,295 Per Unit Cost: \$101,657 Construction Cost Per Sq. Foot: \$40

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CalHFA – Tax Ex. Bonds A	\$3,075,000	CalHFA – Tax Ex. Bonds A	\$3,165,000
CalHFA – T. Ex. Bond B (HAP-based)	\$1,160,000	CalHFA – T. Ex. Bond B (HAP-based)	\$1,160,000
Mezzanine Loan	\$166,121	Deferred Developer Fee	\$768,756
Deferred Developer Fee	\$838,719	General Partner Equity	\$212,667
Deferred- Reserves and Costs	\$330,055	Income from Operations	\$35,206
Investor Equity	\$2,054,400	Investor Equity	\$2,282,666
		TOTAL	\$7,624,295

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,431,810
Requested Acquisition Eligible Basis:	\$2,998,369
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$4,461,353
Qualified Acquisition Basis:	\$2,998,369
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$160,609
Maximum Annual Federal Acquisition Credit:	\$107,940
Total Maximum Annual Federal Credit:	\$268,549
Approved Developer Fee in Project Cost:	\$838,719
Approved Developer Fee in Eligible Basis:	\$838,719
Tax Credit Factor: AIMCO Capital, Ltd.	\$.85

Applicant requests and staff recommends annual federal credits of \$268,549, based on a qualified rehabilitation basis of \$4,461,353, a qualified acquisition basis of \$2,998,369, and a funding shortfall of \$2,282,666.

Cost Analysis and Line Item Review

The requested eligible basis \$6,430,179 is below TCAC's adjusted threshold basis limit \$26,627,872. The basis limit includes 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.

This project has HUD Section 8 rental subsidy on 73 of the units.

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
\$268,549	\$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 on-going educational classes such as English as a second language and computer training, and after-school programs, free of charge to the tenants and on-site or within ¼-mile of the project, 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: Jack Waegell