

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 23, 2008

Project Number CA-2008-802

Project Name Patios de Castillo Apartments & River Rose Apartments
Address: 200, 500 & 510 4th Street; 511 & 513 B Street; and 219 6th Street
West Sacramento, CA 95605 County: Yolo

Applicant Information

Applicant: Patios/River Rose Associates, a California Limited Partnership
Contact Charles Learned
Address: 2455 W. Capitol Avenue, Suite 106
West Sacramento, CA 95691
Phone: (707) 592-6545 **Fax:** (916) 372-6117
Sponsors Type: Nonprofit

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: January 2008
Credit Enhancement: None

Eligible Basis

Actual: \$3,629,711
Requested: \$3,629,711
Maximum Permitted: \$11,165,462

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

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$161,932	\$0
Recommended:	\$161,932	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 45
Total # Residential Buildings: 6

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 44 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 44

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 Studio	50%	\$575
12 Studio	50%	\$575
10 One-Bedroom	50%	\$616
9 One-Bedroom	50%	\$616
1 Two-Bedroom	Manager's Unit	\$755

The general partner or principal owner is West Sacramento Housing Development Corporation.

The project developer is West Sacramento Housing Development Corporation.

The management services will be provided by John Stewart Company.

The market analysis was provided by M.E. Shay & Co.

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: \$6,644,354 Per Unit Cost: \$147,652 Construction Cost Per Sq. Foot: \$80

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual	\$3,600,000	Washington Mutual	\$1,200,000
RDA of West Sacramento	\$1,910,000	RDA of West Sacramento	\$1,910,000
WSHDC	\$621,783	WSHDC	\$1,899,000
Deferred Developer Fee	\$412,571	Investor Equity	\$1,635,354
Investor Equity	\$100,000	TOTAL	\$6,644,354

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$2,894,711
Requested Acquisition Eligible Basis:	\$735,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,763,124
Qualified Acquisition Basis:	\$735,000
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$135,472
Maximum Annual Federal Acquisition Credit:	\$26,460
Total Maximum Annual Federal Credit:	\$161,932
Approved Developer Fee:	\$412,571
Tax Credit Factor:	\$1.0099

Applicant requests and staff recommends annual federal credits of \$161,932, based on a qualified rehabilitation basis of \$3,763,124, a qualified acquisition basis of \$735,000, and a funding shortfall of \$1,635,354.

Cost Analysis and Line Item Review

The requested eligible basis \$3,629,711 is below TCAC's adjusted threshold basis limit \$11,165,462. 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
\$161,932	\$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: None.

Project Analyst: Anthony Zeto