CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 28, 2008

Project Number CA-2008-828

Project Name Palomar Apartments
Address: 171 Palomar Street
Chula Vista, CA 91911 County: San Diego

Applicant Information
Applicant: Palomar VOA Affordable Housing, L.P.
Contact Michael Seltz
Address: 1660 Duke Street
Alexandria, VA 22314
Phone: (703) 341-5091 Fax: (703) 341-7001
Sponsors Type: Nonprofit

Bond Information
Issuer: California Statewide Community Development Authority
Expected Date of Issuance: June, 2008
Credit Enhancement: NA

Eligible Basis
Actual: $14,532,645
Requested: $14,532,645
Maximum Permitted: $38,457,104

Extra Feature Adjustments: None

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$604,591	$0
Recommended:	$604,591	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 168
Total # Residential Buildings: 19

Income/Rent Targeting
Federal Set-aside Elected: 40%/60%
% & No. of Targeted Units: 100%- 167 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 51
Number of Units @ or below 60% of area median income: 116

Unit Type & Number		**2008 Rents % of Area Median Income**	**Proposed Rent** (including utilities)
5	One-Bedroom	50%	$658
8	One-Bedroom	60%	$658
3	One-Bedroom	60%	$789
32	Two-Bedroom	50%	$790
53	Two-Bedroom	60%	$790
19	Two-Bedroom	60%	$947
14	Three-Bedroom	50%	$913
26	Three-Bedroom	60%	$813
7	Three-Bedroom	60%	$1,095
1	Three-Bedroom	Manager's unit	$0

The general partner or principal owner is Palomar VOA Affordable Housing, Inc.

The project developer is VOA National Service.

The management services will be provided by VOA Southwest California.

The market analysis was provided by Prior and Associates.

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

Project Financing
Estimated Total Project Cost: $18,840,673 Per Unit Cost: $112,147 Construction Cost Per Sq. Foot: $37

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citicorp—TE Bonds	$10,750,000	Citicorp—TE Bonds	9,550,000
VOANS (Seller Note)	$3,030,000	VOANS (Seller Note)	$3,030,000
VOANS (Deferred Fees)	$17,059	VOANS (Deferred Fees)	$17,058
VOANS (RFR Transfer)	$500,000	VOANS (RFR Transfer)	$500,000
Investor Equity	$4,543,614	Investor Equity	$5,743,615
		TOTAL	$18,840,673

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$7,538,551
Requested Acquisition Eligible Basis:	$6,994,094
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$9,800,116
Qualified Acquisition Basis:	$6,994,094
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$352,804
Maximum Annual Federal Acquisition Credit:	$251,787
Total Maximum Annual Federal Credit:	$604,591
Approved Developer Fee:	$1,895,562
Tax Credit Factor: National Affordable Housing Trust	$.95

Applicant requests and staff recommends annual federal credits of $604,591, based on a qualified rehabilitation basis of $9,800,116, a qualified acquisition basis of $6,994,094, and a funding shortfall of $5,743,615.

Cost Analysis and Line Item Review
The requested eligible basis $14,532,645 is below TCAC's adjusted threshold basis limit $38,457,104. The basis limit does not include adjustments for extraordinary features. 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: None

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
$604,591	**$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.

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.

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 no service amenities 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: gb