

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

**Project Number** CA-2008-836

**Project Name** Horizons at Olive Street  
**Address:** NW Corner of Olive Street and "H" Avenue  
Hesperia, CA 92345 County: San Bernardino

**Applicant Information**

**Applicant:** Hesperia Housing Investors, L.P.  
**Contact** John Clem  
**Address:** 5400 E. Olympic Blvd., Suite 300  
Los Angeles, CA 90022  
**Phone:** (323) 721-1655 **Fax:** (323) 721-3560  
**Sponsors Type:** Nonprofit

**Bond Information**

**Issuer:** California Statewide Communities Development Authority  
**Date of Issuance:** March 2007  
**Credit Enhancement:** NA

**Eligible Basis**

**Actual:** \$15,815,968  
**Requested:** \$15,815,968  
**Maximum Permitted:** \$16,800,143

**Extra Feature Adjustments:**

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%

Local Development Impact Fees:

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$740,187	\$0
Recommended:	\$740,187	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**Total # of Units:** 67  
**Total # Residential Buildings:** 9

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 66 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 14  
**Number of Units @ or below 60% of area median income:** 52

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 Two-Bedroom	50%	\$748
25 Two-Bedroom	60%	\$898
7 Three-Bedroom	50%	\$865
27 Three-Bedroom	60%	\$998
1 Three-Bedroom	Manager's Unit	\$998

The general partner or principal owner is TELACU Homes, Inc.

The project developer is TELACU Homes, Inc.

The management services will be provided by Simpson Property Group, L.P.

The market analysis was provided by APT Market 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: \$19,091,755 Per Unit Cost: \$284,952 Construction Cost Per Sq. Foot: \$154

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CITI Community Cap. T.E. Bonds	\$9,100,000	CITI Community Cap. T.E. Bonds	\$5,169,680
SHS Capital, LP	\$3,962,708	Hesperia CRA	\$7,250,000
Deferred Costs	\$1,088,790	Deferred Developer Fee	\$85,070
Investor Equity	\$4,940,257	Investor Equity	\$6,587,005
		<b>TOTAL</b>	<b>\$19,091,755</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,815,968
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$20,560,758
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$740,187
Approved Developer Fee:	\$1,400,000
Tax Credit Factor: Multi-Housing Investors	\$.89000

Applicant requests and staff recommends annual federal credits of \$740,187 based on a qualified basis of \$20,560,758 and a funding shortfall of \$6,587,005.

**Cost Analysis and Line Item Review**

The requested eligible basis \$15,815,968 is below TCAC's adjusted threshold basis limit \$16,800,143 . The basis limit includes the adjustment for extraordinary features for local development impact fees, using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, Installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas, and using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board's Recycled Content Products Database. 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
<b>\$740,187</b>	<b>\$0</b>

### **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 **educational classes (such as English as a Second Language classes, computer training) on-site or available within ¼ mile to project's tenants** 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