

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2008 First Round Cycle**  
**June 20, 2008**

**Project Number** CA 2008-037

**Project Name** Rose Garden Apartments  
**Site Address:** 6242, 6303, & 6304 Danny Drive  
Stockton, CA 95210 County: San Joaquin Census Tract: 34.07

**Applicant Information**

**Applicant:** Rose Garden Square, A California Limited Partnership  
**Contact:** Elva L. Grant  
**Address:** 1008 Second Street, 2nd Floor  
Sacramento, CA 95814  
**Phone:** (916) 281-2472 **Fax:** (916) 554-7502  
**Email:** elvagrant@covad.net

General Partners(s) Type: Nonprofit

**Information**

**Set-Aside:** N/A  
**Housing Type:** Seniors  
**Geographic Area:** Central: San Joaquin

**Eligible Basis**

**Requested:** \$15,917,148  
**Actual:** \$15,917,148  
**Maximum Permitted:** \$21,948,332

**Adjustments to Threshold Basis Limit:**

Required to Pay Prevailing Wages  
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features  
Utilizing New Energy Technologies  
Local Impact Fees  
95% of Upper Floor Units are Elevator-Serviced

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,683,111	\$0
Recommended:	\$1,683,111	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** No  
**Total # of Units:** 108  
**Total # Residential Buildings:** 2

**Income/Rent Targeting**

**Federal Set-Aside Elected:** 40%/60%  
**% & No. of Tax Credit Units:** 100% - 106 units  
**Breakdown by %:** 10% @ 30%, 10% @ 40%, 50% @ 50%

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Req. Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency/Credit Reduction/Public Funds (Maximum of 20 points)</b>	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Cost Efficiency	<b>18</b>	<b>27</b>	<b>18</b>
<input checked="" type="checkbox"/> Credit Reduction	<b>20</b>	<b>2</b>	<b>2</b>
<b>Owner / Management Characteristics (Maximum of 9 points)</b>	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	<b>6</b>	<b>6</b>	<b>6</b>
<input checked="" type="checkbox"/> Management Experience	<b>3</b>	<b>3</b>	<b>3</b>
<b>Negative Points</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Housing Needs (Maximum of 10 points)</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities (Maximum of 15 points)</b>	<b>15</b>	<b>25</b>	<b>15</b>
<input checked="" type="checkbox"/> Within 500 feet of a regular bus stop or rapid transit system stop	<b>4</b>	<b>4</b>	<b>4</b>
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	<b>2</b>	<b>2</b>	<b>2</b>
<input checked="" type="checkbox"/> Within ¼ mile of public library	<b>3</b>	<b>3</b>	<b>3</b>
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	<b>3</b>	<b>3</b>	<b>3</b>
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	<b>3</b>	<b>3</b>	<b>3</b>
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	<b>1</b>	<b>1</b>	<b>1</b>
<b>Service Amenities (Maximum of 10 points)</b>	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	<b>5</b>	<b>5</b>	<b>5</b>
<input checked="" type="checkbox"/> Bona fide service coordinator/social worker available	<b>5</b>	<b>5</b>	<b>5</b>
<b>Neighborhood Revitalization (Maximum of 9 points)</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>Sustainable Building Methods (Maximum of 8 points)</b>	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24 standards	<b>4</b>	<b>4</b>	<b>4</b>
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	<b>1</b>	<b>1</b>	<b>1</b>
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	<b>1</b>	<b>1</b>	<b>1</b>
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	<b>2</b>	<b>2</b>	<b>2</b>
<b>Lowest Income (Maximum of 52 points)</b>	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	<b>50</b>	<b>50</b>	<b>50</b>
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	<b>2</b>	<b>2</b>	<b>2</b>
<b>Readiness to Proceed (Maximum of 20 points)</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>State credit substitution (Maximum of 2 points)</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>155</b>	<b>155</b>	<b>155</b>

**Tie-Breaker Information**

Tie-Breaker Categories Apply to this Project **Yes**  
 First: Housing Type **Senior**  
 Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**  
 Third: Calculated Ratio per Regulation 10325(c)(12) **86.570%**

<b>Unit Type &amp; Number</b>	<b>2008 Rents for 1<sup>st</sup> Round 2008 % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
7 One-Bedroom Units	30%	\$344
8 One-Bedroom Units	40%	\$459
41 One-Bedroom Units	50%	\$574
30 One-Bedroom Units	60%	\$635
4 Two-Bedroom Units	30%	\$414
3 Two-Bedroom Units	40%	\$552
12 Two-Bedroom Units	50%	\$690
1 Two-Bedroom Unit	60%	\$812
2 Two-Bedroom Units	Manager's Unit	\$1,624

The general partner or principal owner is Housing Alternatives, Inc.

The project developer is Housing Alternatives, Inc.

The management agent is Hyder & Company.

The market analyst is Prior & Associates.

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

### Project Financing

Estimated Total Project Cost: \$20,611,377 Per Unit Cost: \$190,846 Construction Cost Per Sq. Foot: \$150

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual	\$10,000,000	Washington Mutual	\$5,300,000
AHP	\$500,000	AHP	\$500,000
Deferred Developer Fee	\$1,000,000	Investor Equity	\$14,811,377
Investor Equity	\$9,111,377	<b>TOTAL</b>	<b>\$20,611,377</b>

### Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,917,148
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$413,846
Adjusted Qualified Basis:	\$20,278,447
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$1,683,111
Total State Credit:	\$0
Approved Developer Fee:	\$1,000,000
Tax Credit Factor: Multi-Housing Investments, LLC	\$0.88

Applicant requests and staff recommends annual federal credits of \$1,683,111 and total state credits of \$0, based on a qualified basis of \$20,278,447 and a funding shortfall of \$14,811,377.

### Cost Analysis and Line Item Review

The requested eligible basis of \$15,917,148 is below TCAC's threshold basis limit of \$21,948,332. The basis limit was increased by the following extraordinary features: projects that are required to pay state or federal prevailing wages; projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar; local development impact fees; 95% of upper floor units are elevator-serviced; projects with 3 or more energy efficiency/resource conservation/indoor air quality items, for exceeding Title 24 by at least 15%, using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used, using vent kitchen range hoods to the exterior of the building in at least 80% of the units.

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 8.30% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:** The applicant has stated that the project will be on a Master Metered System utilizing solar energy and tenants will not be charged any utility fees. Proposed tenant rent does not include a utility allowance. This award is based on the documentation presented, which indicates tenants will not pay utilities fees. If, at any time, this is altered such that tenants are responsible for utility charges, the applicant must, without delay, submit new proposed tenant rents and utility allowances to TCAC for review and approval.

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Recommendation:** Staff recommends that the Committee make a preliminary 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
\$1,683,111	\$0

### Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary 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 as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, 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 after the buildings are placed in service.

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 credit 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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

**Additional Conditions:**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **November 17, 2008**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst: Gina Ferguson**