

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2008 Waiting List

November 21, 2008

Project Number CA-2008-151

Project Name Hanford Family Apartments

Site Address: 613 11th Avenue
Hanford, CA 93230

County: Kings

Census Tract: 11.00

Applicant Information

Applicant: Hanford Pacific Associates, a California L.P.

Contact: Caleb Roope

Address: 430 E. State Street, Suite 100
Eagle, ID 83616

Phone: 208-461-0022

Fax: 208-461-3267

Email: calebr@tpchousing.com

General Partner Type: Joint Venture

Information

Set-Aside: N/A

Housing Type: Large Family

Geographic Area: Central Region

Eligible Basis

Requested: \$9,522,758

Actual: \$9,522,758

Maximum Permitted: \$11,614,341

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages

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

Local Impact Fees

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$970,559 \$0

Recommended: \$970,559 \$0

Project Information

Construction Type: New Construction

Federal Subsidy: None

Total # of Units: 49

Total # Residential Buildings: 6

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%

% & No. of Tax Credit Units: 100% - 48 units

Breakdown by %: 10% @ 30%, 15% @ 45%, 50% @ 50%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points	20	20	20
Cost Efficiency	18	18	18
Credit Reduction	20	2	2
<i>Owner / Management Characteristics</i> Maximum of 9 points	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
<i>Housing Needs</i> Maximum of 10 points	10	10	10
<i>Site Amenities</i> Maximum of 15 points	15	15	15
Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
Large Family project within ¼ mile of public school that project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1
<i>Service Amenities</i> Maximum of 10 points	10	10	10
Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
After school programs of an ongoing nature for school age children	5	5	5
<i>Neighborhood Revitalization</i> Maximum of 9 points	9	9	9
<i>Sustainable Building Methods</i> Maximum of 8 points	8	8	8
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
CRI Green-label, low-VOC carpet and pad	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
Construction Indoor Air Quality Management plan	2	2	2
Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<i>Lowest Income</i> Maximum of 52 points	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum of 20 points	20	20	20
<i>State credit substitution</i> Maximum of 2 points	2	2	2
<i>Total Points</i>	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Large Family**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **108.609%**

<u>Unit Type & Number</u>	<u>2008 Rents for 2nd Round 2008 % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 Two-Bedroom Unit	30%	\$363
1 Two-Bedroom Unit	45%	\$544
8 Two-Bedroom Units	50%	\$605
6 Two-Bedroom Units	60%	\$726
3 Three-Bedroom Units	30%	\$419
5 Three-Bedroom Units	45%	\$629
12 Three-Bedroom Units	50%	\$699
4 Three-Bedroom Units	60%	\$839
1 Four-Bedroom Unit	30%	\$468
2 Four-Bedroom Units	45%	\$702
4 Four-Bedroom Units	50%	\$780
1 Four-Bedroom Unit	60%	\$936
1 3-Bedroom Unit	Manger's Unit	\$0

The general partner(s) or principal owner(s) are Central Valley Coalition for Affordable Housing and Roope, LLC.

The project developer is Pacific West Communities, Inc.

The management agent is Infinity Management, Inc.

The market analyst is Property Dynamics.

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

Project Financing

Estimated Total Project Cost: \$10,505,065 Per Unit Cost: \$214,389 Construction Cost Per Sq. Foot: \$108

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
SunAmerica	\$8,330,174	SunAmerica	\$1,700,000
Deferred Costs	\$78,785	Deferred Developer Fee	\$265,000
Deferred Developer Fee	\$1,242,099	Investor Equity	\$8,540,065
Investor Equity	\$854,007	TOTAL	\$10,505,065

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,522,758
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$247,592
Qualified Basis:	\$12,131,994
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$970,559
Approved Developer Fee:	\$1,242,099
Tax Credit Factor: SunAmerica	\$0.88

Applicant requests and staff recommends annual federal credits of \$970,559 based on a qualified basis of \$12,131,994 and a funding shortfall of \$8,540,065.

Cost Analysis and Line Item Review

The requested eligible basis \$9,522,758 is below TCAC's threshold basis limit \$11,614,341. The basis limit was increased by the following extraordinary features: projects that are required to pay state or federal prevailing wages, projects that are required to pay local development impact fees, and projects with 3 or more energy efficiency/resource conservation/indoor air quality items (using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, recycling at least 75% of the construction and demolition waste (measured by either weight or volume), 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 limitations.

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 8.00% of the qualified basis, or, in the case of acquisition Credit or Credit combined with federal subsidies, 3.50%. 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: None

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
\$970,559	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **December 8, 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 twelve (12) 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)(1)(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 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 **April 20, 2009**, 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