CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 8, 2008

Project Number CA-2008-919

Project Name The Arbor on Date
Address: 44927 Date Avenue
Lancaster, CA 93534 County: Los Angeles

Applicant Information
Applicant: Grow A Pear, L.P.
Contact Scott Williams
Address: 17207 Ventura Blvd., Suite 2
Encino, CA 91316
Phone: (818) 789-5550 Fax: (818) 304-7660
Sponsors Type: Joint Venture

Bond Information
Issuer: City of Lancaster
Expected Date of Issuance: September 24, 2008
Credit Enhancement: N/A

Housing Type: Large Family

Eligible Basis
Actual: $9,367,900
Requested: $9,367,900
Maximum Permitted: $22,588,519

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20% ☒ Local Development Impact Fees: ☒
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 82% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$426,239	$0
Recommended:	$426,239	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: No
Total # of Units: 40
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 39 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 32
Number of Units @ or below 60% of area median income: 7

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
32 Three-Bedroom	50%	$985
7 Three-Bedroom	55%	$1,084
1 Three-Bedroom	Manager's Unit	$1,047

The general partners or principal owners are Housing Corporation of America, Inc. and InSite Development LLC.

The project developer is InSite Development LLC.

The management services will be provided by Ironwood Management.

The market analysis was provided by Market Insights.

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: $10,215,028 Per Unit Cost: $255,376 Construction Cost Per Sq. Foot: $129

Construction Financing Source	Amount	Permanent Financing Source	Amount
East West Bank – Tax Ex. Bonds	$6,000,000	CCRC – Tax Exempt Bonds	$2,100,000
Deferred Fees/G.P. Loan	$954,296	Deferred Developer Fee	$541,993
Investor Equity	$3,260,732	HCD / City of Lancaster – HOME	$3,950,000
		Investor Equity	$3,623,035
		TOTAL	**$10,215,028**

Determination of Credit Amount(s)

Requested Eligible Basis:	$9,367,900
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$12,178,270
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$426,239
Approved Developer Fee in Project Cost:	$1,221,900
Approved Developer Fee in Eligible Basis:	$1,221,900
Tax Credit Factor: Alliant Capital	$0.85

Applicant requests and staff recommends annual federal credits of $426,239 based on a qualified basis of $12,178,270 and a funding shortfall of $3,623,035.

Cost Analysis and Line Item Review
The requested eligible basis $9,367,900 is below TCAC's adjusted threshold basis limit $22,588,519. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, local development impact fees, and the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI.   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 3.50% 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
$426,239	**$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: None.

Project Analyst: Jack Waegell