

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2009 Cash in Lieu of Credits – Section 1602 Funds

December 16, 2009

Project Number CA-2009-599

Project Name Oak Tree Apartments

Site Address: 42176 Lyndie Lane
Temecula, CA 92591

County: Riverside

Census Tract: 0432.16

Applicant Information

Applicant: Highland Property Development LLC

Contact: William E. Rice

Address: 250 W. Colorado Boulevard, Suite 210
Arcadia, CA 91007

Phone: (626) 294-9230

Fax: (626) 294-9270

Email: b.rice@highlandcompanies.com

General Partner Type: Joint Venture

The general partner(s) or principal owner(s) are HPD Oak Tree LLC and National Housing Corporation.

Project Information

Housing Type: At-Risk

Construction Type: Acquisition and Rehabilitation

Rental/Operating Subsidy: 100% (49 Units - RHS)

HCD Funding: No

Total # of Units: 40

Total # of Residential Units: 39

Total # Residential Buildings: 8

% and Number of Tax Credit Units: 100% - 39 units

Davis-Bacon Required: No

NEPA Required: No

State Prevailing Wages Required: Yes

In the original application, the applicant showed in the budget that prevailing wages were being paid and that they were complying with prevailing wage and other federal requirements.

15% Prevailing Wage Adjustment Requested: No

2009 TCAC Project Number: CA-2009-045

2009 Annual Federal Tax Credits Reserved: \$409,488

2009 Federal Reserved Tax Credits Exchanged/Returned: \$409,488

Original Net Equity Factor: (maximum \$0.80 for 2009) \$0.70

Calculated/Requested Amount of ARRA Funds: $(\$409,488 \times 10 \times 0.70) = \$2,866,416$

Calculated/Awarded ARRA Gap Cash: $(\$409,488 \times 10 \times 0.10) = \$409,488$

Total ARRA Cash Requested: \$3,275,904 (\$2,866,416 (ARRA/Equity) + \$409,488 (Gap Funds))

Total Cash Award Recommended: \$3,275,904

Income/Rent Targeting

55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 30% of area median income: 4
 Number of Units @ or below 40% of area median income: 4
 Number of Units @ or below 50% of area median income: 20

Approved 2009 TCAC Proposed Rent and Income Levels

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
1 One-bedroom Unit	30%	\$374
1 One-bedroom Unit	40%	\$499
8 One-bedroom Units	50%	\$624
6 One-bedroom Units	60%	\$749
3 Two-bedroom Units	30%	\$449
3 Two-bedroom Units	40%	\$599
12 Two-bedroom Units	50%	\$748
5 Two-bedroom Units	60%	\$898
1 Two-bedroom Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$7,777,480 Per Unit Cost: \$194,437

<u>Construction Financing</u>		<u>Permanent Financing</u>	
JP Morgan Chase Bank	\$4,900,000	Bonneville Mortgage	\$2,950,000
USDA – RD Section 515	\$1,234,200	USDA – RD Section 515	\$1,234,200
Deferred Developer Fee	\$152,648	Deferred Developer Fee	\$317,376
ARRA Exchange Amount	\$1,310,362	TCAC ARRA Award	\$3,275,904
		TOTAL	\$7,777,480

Income and Expense Statement for Year 1

Gross Residential Rents:	\$286,092
Total Rental Subsidy Income:	\$199,908
Miscellaneous Income:	\$4,000
Total Vacancy Rate Loss: 5%	(\$24,500)
Total Effective Gross Income:	\$465,500
Less Total Expenses/Reserves:	\$190,920
Net Operation Income:	\$274,580
Debt Service:	\$238,629

Net Cash Flow \$35,951

Debt Service Ratio: 1.15 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Section 1602 funds for the project. This Conditional Reservation would not constitute a commitment. The provision of any funds is conditioned on TCAC's determination to proceed with, modify or cancel the project based on further underwriting and review.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.