

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 17, 2010**

**Project Number** CA-2010-835

**Project Name** Oak Valley Apartments  
Site Address: 5520 Harrison St.  
North Highlands, CA 95660 County: Sacramento  
Census Tract: 74.240

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$409,735	\$0
Recommended:	\$409,735	\$0

**Applicant Information**

Applicant: Oak Valley Apartments, LLC  
Contact: Tony Hladek  
Address: 595 South Riverwoods Parkway, Ste. 400  
Logan, UT 84321  
Phone: 949-367-1393 Fax: 949-961-0244  
Email: thladek@netwasatch.com

General partner(s) or principal owner(s): Oak Valley Apartments, LLC  
Western Community Housing, Inc  
General Partner Type: Joint Venture  
Developer: Wasatch Advantage Group  
Investor/Consultant: Redstone Equity Partners  
Management Agent: Wasatch Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 19  
Total # of Units: 141  
No. & % of Tax Credit Units: 140 100%  
Federal Set-Aside Elected: 40%/60% Test  
Federal Subsidy: Tax Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 29  
Number of Units @ or below 60% of area median income: 111

**Information**

Housing Type: Non-Targeted  
Geographic Area: Capital and Northern Region  
TCAC Project Analyst: Nicola Hil

**Bond Information**

Issuer: CalHFA  
 Expected Date of Issuance: 11/17/2010  
 Credit Enhancement: None

**Unit Mix**

141 2-Bedroom Units  
 141 Total Units

<b>Unit Type &amp; Number</b>	<b>2010 Rents Targeted % of Area Median Income</b>	<b>2010 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
24 2 Bedrooms	50%	47%	\$780
55 2 Bedrooms	60%	47%	\$780
23 2 Bedrooms	60%	50%	\$820
5 2 Bedrooms	50%	50%	\$818
29 2 Bedrooms	60%	52%	\$850
4 2 Bedrooms	60%	55%	\$899
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$720

**Project Financing**

Estimated Total Project Cost: \$13,950,095      Construction Cost Per Square Foot: \$33  
 Per Unit Cost: \$98,937

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Prudential	\$9,740,377	Prudential	\$11,000,000
Closing Costs	\$2,950,095	Tax Credit Equity	\$2,950,095
Tax Credit Equity	\$1,259,623	<b>TOTAL</b>	<b>\$13,950,095</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation): \$5,152,246  
 130% High Cost Adjustment: No  
 Requested Eligible Basis (Acquisition): \$6,900,000  
 Applicable Fraction: 100.00%  
 Qualified Basis (Rehabilitation): \$5,152,246  
 Qualified Basis (Acquisition): \$6,900,000  
 Applicable Rate: 3.40%  
 Maximum Annual Federal Credit, Rehabilitation: \$175,135  
 Maximum Annual Federal Credit, Acquisition: \$234,600  
 Total Maximum Annual Federal Credit: \$409,735  
 Approved Developer Fee (in Project Cost and Eligible Basis): \$1,572,032  
 Investor/Consultant: Redstone Equity Partners  
 Federal Tax Credit Factor: \$0.72000

Per Regulation Section 10322(i)(4)(A), The "as if vacant" land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$12,052,246
Actual Eligible Basis:	\$12,052,246
Unadjusted Threshold Basis Limit:	\$31,020,000
Total Adjusted Threshold Basis Limit:	\$37,224,000

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating are below the minimum operating expenses established in the Regulations and a waiver has been requested. The project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.40% 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:** Per section 10237(g)(1) of TCAC regulations The Executive Director may, in his/her sole discretion, utilize operating expenses up to 15% less than required in this subsection for underwriting when the equity investor and the permanent lender are in place and provide evidence that they have agreed to such lesser operating expenses. The necessary information was provided and the waiver has been granted.

**Local Reviewing Agency:**

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.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$409,735</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 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 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state 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.

**Additional Conditions:** The applicant/owner is required to provide the tenants with after school programs and educational classes free of charge 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- The project is a Rehabilitation Project reducing energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission.
- Energy Star rated ceiling fans in all bedrooms and living rooms; or use of a whole house fan; or use of an economizer cycle on mechanically cooled HVAC systems.
- Project will contain nonsmoking buildings or sections of buildings. Nonsmoking sections must consist of at least half the units within the building, and those units must be contiguous.