CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2011

Project Number	CA-2011-809	
Project Name	Sunnyslope Apartments	
Site Address:	6947 Mohawk Trail	
	Yucca Valley, CA 92284	County: San Bernardino
Census Tract:	104.110	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$133,388	$0
Recommended:	$133,388	$0

Applicant Information

Applicant:	Highland Property Development LLC		
	on behalf of HPD Yucca Valley LP		
Contact:	Kristoffer J. Kaufmann		
Address:	250 West Colorado Boulevard, Suite 210		
	Arcadia, CA 91007		
Phone:	(626) 294-9525	Fax:	(626) 294-9270
Email:	k.kaufmann@highlandcompanies.com		

General partner(s) or principal owner(s):	HPD Yucca Valley LLC
	National Housing Corporation, Inc.
General Partner Type:	Nonprofit
Developer:	Highland Property Development LLC
Investor/Consultant:	Boston Capital
Management Agent:	Hyder and Company

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	6	
Total # of Units:	33	
No. & % of Tax Credit Units:	32	100%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax Exempt/USDA RHS 515/	
	USDA RD Rental Subsidy (31 Units - 97%)	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	
Number of Units @ or below 50% of area median income:		4
Number of Units @ or below 60% of area median income:		28

Information

Housing Type:	Non-Targeted
Geographic Area:	Inlane Empire Region
TCAC Project Analyst:	DC Navarrette

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	5/1/2011
Credit Enhancement:	N/A

Unit Mix

13 1-Bedroom Units
10 2-Bedroom Units
10 3-Bedroom Units
33 Total Units

Unit Type & Number		2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	46%	$556
11	1 Bedroom	60%	46%	$556
1	2 Bedrooms	50%	45%	$662
4	2 Bedrooms	60%	45%	$662
4	2 Bedrooms	60%	45%	$662
1	3 Bedrooms	50%	45%	$753
2	3 Bedrooms	60%	45%	$753
7	3 Bedrooms	60%	45%	$753
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing

Estimated Total Project Cost:	$4,047,558	Construction Cost Per Square Foot:	$34
		Per Unit Cost:	$122,653

Construction Financing

Source	Amount
JP Morgan Chase Bank	$2,000,000
USDA - RD 515	$1,206,974
Tax Credit Equity	$373,485

Permanent Financing

Source	Amount
Bonneville Mortgage Company	$1,600,000
USDA - RD 515	$1,206,974
Deferred Developer Fee	$306,871
Tax Credit Equity	$933,713
TOTAL	**$4,047,558**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$1,576,213
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$1,874,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$2,049,077
Qualified Basis (Acquisition):	$1,874,500
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$69,655
Maximum Annual Federal Credit, Acquisition:	$63,733
Total Maximum Annual Federal Credit:	$133,388
Approved Developer Fee (in Project Cost & Eligible Basis):	$450,093
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	$0.70000

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:	$3,450,713
Actual Eligible Basis:	$3,450,713
Unadjusted Threshold Basis Limit:	$7,172,042
Total Adjusted Threshold Basis Limit:	$8,032,687

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: 12%

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 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 3.40% 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: None

Local Reviewing Agency:
The Local Reviewing Agency, the Town of Yucca Valley, has completed a site review of this project and has no opinion on this project.

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 Tax Credits/Annual	State Tax Credits/Total
$133,388	**$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 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 high-speed internet 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:
1. Use water-saving fixtures or flow restrictors in the kitchen (2gpm or less) and bathrooms 1.5 gpm or less).
2. Use of at least one High Efficiency Toilet (1.3 gpf) or dual-flush toilet per unit.
3. For rehabilitation projects not subject to Title 24 requirements, use of flourescent light fixtures for at least 75% of light fixtures or comparable energy lighting for the project's total lighting (including community rooms and any common space) throughout the compliance period.