

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 19, 2011

REVISED

Project Number CA-2011-913

Project Name Bear Mountain & Weedpatch Country
Site Address: 128 Monroe Street (Bear Mountain), 12360 Main Street (Weedpatch Country)
Arvin, CA 93203 (Bear Mountain), Lamont, CA 93241 (Weedpatch Country)
County: Kern
Census Tract: 63.02 (Bear Mountain), 64.02 (Weedpatch Country)

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$212,596	\$0
Recommended:	\$212,596	\$0

Applicant Information

Applicant: KC Investment Group, L.P.
Contact: Ronald D. Bettencourt
Address: 670 Auburn Folsom Rd., Suite. 106, PMB 101
Auburn, CA 95603
Phone: (530) 745-9990 **Fax:** (530) 745-9962
Email: whitecapcoastal@sbcglobal.net

General partner(s) or principal owner(s): Bettencourt Properties, Inc.
The Beneficial Housing Foundation
General Partner Type: Joint Venture
Developer: WNC Community Preservation Partners, I
Investor/Consultant: WNC & Associates
Management Agent: AWI Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 17
Total # of Units: 72
No. & % of Tax Credit Units: 70 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / USDA Existing Loan and Subsidy (67 units - 96%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 22
Number of Units @ or below 60% of area median income: 48

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: 11/01/11
Credit Enhancement: USDA RHS 538 Guaranteed Rural Rental Housing Program

Information

Housing Type: At-Risk
 Geographic Area: Central Region
 TCAC Project Analyst: Nicola Hil

Unit Mix

12 1-Bedroom Units
 34 2-Bedroom Units
 22 3-Bedroom Units
 4 4-Bedroom Units

 72 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	50%	49%	\$528
5 2 Bedrooms	50%	49%	\$633
4 3 Bedrooms	50%	49%	\$732
1 4 Bedrooms	50%	49%	\$817
3 1 Bedroom	60%	53%	\$571
9 2 Bedrooms	60%	51%	\$659
9 3 Bedrooms	60%	54%	\$797
3 4 Bedrooms	60%	56%	\$924
2 1 Bedroom	50%	49%	\$528
7 2 Bedrooms	50%	49%	\$633
2 3 Bedrooms	50%	49%	\$732
6 1 Bedroom	60%	55%	\$590
13 2 Bedrooms	60%	52%	\$666
5 3 Bedrooms	60%	54%	\$802
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$6,796,339 Construction Cost Per Square Foot: \$22
 Per Unit Cost: \$94,394

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Rabobank, N.A.	\$3,170,000	Bonneville Multifamily Capital	\$1,575,000
USDA Rural Development	\$3,234,698	USDA Rural Development	\$3,234,698
Cash Flow from Operations	\$58,050	Cash Flow from Operations	\$58,050
Existing Replacement Reserves	\$174,763	Existing Replacement Reserves	\$174,763
Deferred Developer Fee	\$128,816	Deferred Developer Fee	\$74,532
Tax Credit Equity	\$30,012	Tax Credit Equity	\$1,679,296
		TOTAL	\$6,796,339

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,120,440
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,496,273
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,756,573
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$3,496,273
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$93,723
Maximum Annual Federal Credit, Acquisition:	\$118,873
Total Maximum Annual Federal Credit:	\$212,596
Approved Developer Fee (in Project Cost & Eligible Basis):	\$732,614
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.78990

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:	\$5,616,713
Actual Eligible Basis:	\$5,616,713
Unadjusted Threshold Basis Limit:	\$15,935,896
Total Adjusted Threshold Basis Limit:	\$20,876,024

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: 31%

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. 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: Project is a re-syndication of two tax credits projects: Bear Mountain (CA-1988-049) and Weedpatch Country (CA-1993-066).

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$212,596	\$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: None