CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2011

Project Number	CA-2011-925	
Project Name	Wasco Arms	
Site Address:	2617 Poso Dr.	
	Wasco, CA 93280	County: Kern
Census Tract:	43.010	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$250,644	$0
Recommended:	$250,644	$0

Applicant Information

Applicant:	Hampstead Wasco Arms Partners, L.P.	
Contact:	Jeff Jallo	
Address:	3413 30th Street	
	San Diego, CA 92104	
Phone:	619-543-4210	Fax: 619-543-4220
Email:	jeff@hampstead.com	

General partner(s) or principal owner(s):	Hampstead Wasco Arms, LLC
	Affordable Housing Solutions
General Partner Type:	Joint Venture
Developer:	The Hampstead Group, Inc.
Investor/Consultant:	Boston Financial Investment Mgmt
Management Agent:	Edgewood Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	11
Total # of Units:	78
No. & % of Tax Credit Units:	77 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Loan Assumption & Section 8 (77 units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	8
Number of Units @ or below 60% of area median income:	69

Bond Information

Issuer:	California Statewide Communities
Expected Date of Issuance:	February 1, 2012
Credit Enhancement:	None

Information

Housing Type:	Non-Targeted
Geographic Area:	Central Region
TCAC Project Analyst:	Nicola Hil

Unit Mix

64	2-Bedroom Units
14	3-Bedroom Units
78	Total Units

Unit Type & Number		2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	2 Bedrooms	50%	50%	$643
56	2 Bedrooms	60%	53%	$682
1	3 Bedrooms	50%	50%	$743
13	3 Bedrooms	60%	55%	$814
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$631

Project Financing

Estimated Total Project Cost:	$9,032,058	Construction Cost Per Square Foot:	$32
		Per Unit Cost:	$115,796

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citi Community Capital	$4,900,000	Citi Community Capital	$2,992,326
HUD	$3,061,882	HUD	$3,061,882
Income During Construction	$372,617	Income During Construction	$372,617
Deferred Developer Fee	$357,558	PG&E Energy Subsidies/Rebates	$198,527
Tax Credit Equity	$340,000	Deferred Developer Fee	$175,977
		Tax Credit Equity	$2,230,729
		TOTAL	**$9,032,058**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,339,064
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$4,473,069
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,339,064
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	$4,473,069
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$98,560
Maximum Annual Federal Credit, Acquisition:	$152,084
Total Maximum Annual Federal Credit:	$250,644
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,018,974
Investor/Consultant:	Boston Financial Investment Mgmt
Federal Tax Credit Factor:	$0.89000

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:	$7,812,133
Actual Eligible Basis:	$7,812,133
Unadjusted Threshold Basis Limit:	$16,777,216
Total Adjusted Threshold Basis Limit:	$18,454,938

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: 10%

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: None

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
$250,644	**$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 the following Service Amenities 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:

- High-speed Internet or wireless (WiFi)

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
- The Project will incorporate the following energy efficient items:
  - b) Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less)
  - c) At least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit
  - e) Interior paint with no volatile organic compounds, (5 grams per liter or less)