

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 25, 2007

Project Number CA-2007-863

Project Name The Majestic
Address: 959 Torrano Avenue
 Hayward, CA 94542 County: Alameda

Applicant Information

Applicant: Hayward Pacific Associates, a California Limited Partnership
Contact Caleb Roope
Address: 430 e. State Street, Suite 100
 Eagle, ID 83616
Phone: (208) 461-0022 x3015 Fax: (208) 461-3267 email: calebjroope@yahoo.com
Sponsors Type: Limited Partnership

Bond Information

Issuer: City of Hayward
Expected Date of Issuance: August, 2007
Credit Enhancement: None

Eligible Basis

Actual: \$12,210,805
Requested: \$12,210,805
Maximum Permitted: \$25,381,184

Extra Feature Adjustments:
 55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$476,408	\$0
Recommended:	\$466,455	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 81
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-80 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 8
Number of Units @ or below 60% of area median income: 72

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent</u>
5 One-bedroom units	50%	\$786
3 Two-bedroom units	50%	\$942
46 One-bedroom unit	60%	\$942
26 Two-bedroom units	60%	\$1,131
1 One-bedroom unit	Manager's unit	\$0

The project developer is Pacific West Builders, Inc.

The management services will be provided Infinity Management.

The market analysis was provided by Prior and Associates.

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.

Project Financing

Actual Total Project Cost: \$13,256,877 Per Unit Cost: \$163,665 Construction Cost Per Sq. Ft.: \$24

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$7,300,000	Citibank	\$7,300,000
Citibank	\$1,100,000	Pacific West Communities	\$1,360,000
Pacific West Communities	\$1,582,279	Investor Equity	\$4,596,877
Deferred Costs	\$239,800		
		TOTAL	\$13,256,877

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$2,487,555
Requested Acquisition Eligible Basis:	\$9,723,250
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,233,822
Qualified Acquisition Basis:	\$9,723,250
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$116,418
Maximum Annual Federal Acquisition Credit:	\$350,037
Total Maximum Annual Federal Credit:	\$466,455
Approved Developer Fee:	\$1,582,279
Tax Credit Factor:	\$.96000

Applicant requested annual federal tax credits of \$476,408. Staff recommends annual federal credits of \$466,455, based on a qualified rehabilitation basis of \$3,233,822, a qualified acquisition basis of \$9,723,250, and a funding shortfall of \$4,596,877. Applicant overstated rehabilitation eligible basis which, in turn, overstated qualified rehabilitation basis. Conversely, acquisition eligible and qualified basis were understated. This error overstated the maximum allowable tax credits for the project. Staff adjusted accordingly which resulted in a tax credit reduction.

Cost Analysis and Line Item Review

The requested eligible basis \$12,210,805 is below TCAC's adjusted threshold basis limit **\$25,381,184**. **The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units.** Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% 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: 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

\$466,455 Federal/Annual

\$0 State/Total

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.

TCAC makes the 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 not required to provide the tenants with **any type of services** for a minimum of ten (10) years in accordance with the bond allocation from CDLAC.

Project Analyst: G. Boyd