

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 23, 2008

Project Number CA-2007-903

Project Name East Leland Family Apartments
Address: 2555 East Leland Road
Pittsburg, CA 94565

County: Contra Costa

Applicant Information

Applicant: Mercy Housing California
Contact: Barbara Gualco
Address: 1360 Mission Street, Suite 300
San Francisco, CA 94103
Phone: (415) 355-7117
Sponsors Type: Nonprofit

Fax: (415) 355-7101

Bond Information

Issuer: Contra Costa County
Expected Date of Issuance: March 1, 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$23,258,660
Requested: \$23,258,660
Maximum Permitted: \$27,990,058

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%

Day Care Center is Part of Project: 2%

55-Year Use/Rent Restriction Adjustment: 120%

Local Development Impact Fees:

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,088,505	\$0
Recommended:	\$1,088,505	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 63
Total # Residential Buildings: 9

Income/Rent Targeting

Federal Setaside Elected: 40%/60%

% & No. of Targeted Units: 100% - 62 units

55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income: 25

Number of Units @ or below 60% of area median income: 37

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 One-Bedroom	50%	\$471
2 One-Bedroom	50%	\$549
3 One-Bedroom	60%	\$628
3 One-Bedroom	60%	\$864
4 Two-Bedroom	50%	\$565
7 Two-Bedroom	50%	\$659
4 Two-Bedroom	60%	\$754
13 Two-Bedroom	60%	\$1,036
4 Three-Bedroom	50%	\$653
3 Three-Bedroom	50%	\$762
4 Three-Bedroom	60%	\$871
6 Three-Bedroom	60%	\$1,198
2 Four-Bedroom	50%	\$729
1 Four-Bedroom	50%	\$850
2 Four-Bedroom	60%	\$972
2 Four-Bedroom	60%	\$1,336
1 Two-Bedroom	Manager's Unit	\$0

The general partner is Mercy Housing West.

The project developer is Mercy Housing California.

The management services will be provided by Mercy Services Corporation.

The market analysis was provided by M.E. Shay & Co.

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

Estimated Total Project Cost: \$25,515,072 Per Unit Cost: \$386,958 Construction Cost Per Sq. Foot: \$186

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$16,250,000	Citibank	\$991,700
City of Pittsburg	\$3,952,854	HCD-MHP	\$4,936,020
Contra Costa County - HOME	\$1,500,000	City of Pittsburg	\$5,002,383
AHP	\$378,000	Contra Costa County - HOME	\$1,533,520
Investor Equity	\$1,500,000	AHP	\$378,000
		GP Equity	\$1,089,500
		Deferred Developer Fee	\$200,000
		Investor Equity	\$11,383,949
		TOTAL	\$25,515,072

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,258,660
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$30,236,258
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,088,505
Approved Developer Fee: Residential	\$2,093,090
Approved Developer Fee: Commercial	\$106,910
Tax Credit Factor:	\$1.04

Applicant requests and staff recommends annual federal credits of \$1,088,505 based on a qualified basis of \$30,236,258 and a funding shortfall of \$11,383,949.

Cost Analysis and Line Item Review

The requested eligible basis \$22,258,660 is below TCAC's adjusted threshold basis limit \$27,990,058. 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, projects that are required to pay state or federal prevailing wages, projects where a day care center is part of the development, local development impact fees. 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:

Federal/Annual	State/Total
\$1,088,505	\$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.

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: None.

Project Analyst: Elaine Johnson