

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 26, 2008**

**Project Number** CA-2008-832 (formerly CA-2005-928)

**Project Name** Henness Flats (formerly Gray's Crossing Affordable Housing)  
**Address:** 11907-11956 Waters Way and 10683 Henness Way  
Truckee, CA 96161 County: Nevada

**Applicant Information**

**Applicant:** Truckee Pacific Associates, a California L.P.  
**Contact** Caleb Roope  
**Address:** 430 East State Street, Suite 100  
Eagle, ID 83616  
**Phone:** (208) 461-0022, ex. 3015 **Fax:** (208) 461-3267  
**Sponsors Type:** Joint Venture

**Bond Information**

**Issuer:** CSCDA  
**Date of Issuance:** March 2006  
**Credit Enhancement:** N/A

**Eligible Basis**

**Actual:** \$27,207,855  
**Requested:** \$27,207,855  
**Maximum Permitted:** \$39,455,969 (based on 2007 placed-in-service year figures/adjusters)

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%

55-Year Use/Rent Restriction Adjustment (2007 Placed-In-Service Year Adjuster): 120%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,234,420	\$0
Recommended:	\$1,234,420	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt / HOME  
**HCD MHP Funding:** Yes  
**Total # of Units:** 92  
**Total # Residential Buildings:** 8

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 92 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 50  
**Number of Units @ or below 60% of area median income:** 42

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 Two-Bedroom Units	35%	\$512
3 Two-Bedroom Units	50%	\$732
16 Two-Bedroom Units	60%	\$879
26 Three-Bedroom Units	35%	\$592
4 Three-Bedroom Units	50%	\$846
26 Three-Bedroom Units	60%	\$1,015

The project developer is Pacific Communities, LLC.

The management services will be provided by Coast Real Estate Services.

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

The Local Reviewing Agency, the Town of Truckee, has completed a site review of this project and strongly supports the project.

**Project Financing**

Actual Total Project Cost: \$27,546,455 Per Unit Cost: \$299,418 Construction Cost Per Sq. Ft.: \$195

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Zion Bank – Tax Exempt Bonds	\$14,000,000	Zion Bank – Tax Exempt Bonds	\$4,350,000
SunAmerica Bridge Loan	\$11,272,970	Town of Truckee – HOME	\$3,412,500
Deferred Developer Fee	\$2,218,485	Deferred Developer Fee	\$1,950,443
Investor Equity	\$55,000	HCD – MHP	\$5,367,118
		Investor Equity	\$12,466,394
		<b>TOTAL</b>	<b>\$27,546,455</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$27,207,855
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$35,370,212
Applicable Rate: (set at placed-in-service, Sept. 2007)	3.49%
Total Maximum Annual Federal Credit:	\$1,234,420
Approved Developer Fee:	\$2,238,485
Tax Credit Factor: AIG SunAmerica	\$1.0099

Applicant requests and staff recommends annual federal credits of \$1,234,420, based on a qualified basis of \$35,370,212 and a funding shortfall of \$12,466,394.

**Cost Analysis and Line Item Review**

The requested eligible basis \$27,207,855 is below TCAC’s adjusted threshold basis limit \$39,455,969. **The basis limit includes the 2005 adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages and the 60% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units and are located in a DDA/QCT.** 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 3.49% of the qualified basis based on the project's placed-in-service date of September 2007.

**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.

This is a reapplication of CA-2005-928 for a significant increase in the reservation of annual federal tax credits from \$780,858 to \$1,234,420.

This project placed-in-service in September 2007.

**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:

<b>\$1,234,420</b> Federal/Annual	<b>\$0</b> State/Total
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#### **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:** Jack Waegell