

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 First Round Cycle
June 20, 2008

Project Number CA-2008-059

Project Name The Arbors
Site Address: 5127-5331 Creely Avenue
Richmond, CA 94804 County: Contra Costa
Census Tract: 3820

Applicant Information

Applicant: Arbors Preservation, L.P.
Contact: Aubra Levine
Address: 2730 Telegraph Avenue
Berkeley, CA 94705
Phone: (510) 841-4410 Ext. 18 Fax: (510) 548-3502
Email: alevine@rcdev.org

General Partner Type: Nonprofit

Information

Set-Aside: At-Risk
Housing Type: At-Risk
Geographic Area: East Bay

Eligible Basis

Requested: \$6,159,164
Actual: \$6,159,164
Maximum Permitted: \$7,251,792

Adjustments to Threshold Basis Limit:

Local Impact Fees

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$651,282	\$0
Recommended:	\$651,282	\$0

Project Information

Construction Type: Rehabilitation
Federal Subsidy: HUD Section 8
Total # of Units: 36
Total # Residential Buildings: 10

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 35 units
Breakdown by %: 10% @30%, 40% @45%, 25% @50%

Selection Criteria	Max. Possible Points	Req. Points	Points Awarded
Cost Efficiency/Credit Reduction/Public Funds (Maximum of 20 points)	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
Owner / Management Characteristics (Maximum of 9 points)	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Housing Needs (Maximum of 10 points)	10	10	10
Site Amenities (Maximum of 15 points)	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
Service Amenities (Maximum of 10 points)	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	5	5	5
Neighborhood Revitalization (Maximum of 9 points)	9	9	9
Sustainable Building Methods (Maximum of 8 points)	8	8	8
<input checked="" type="checkbox"/> Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
Lowest Income (Maximum of 52 points)	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed (Maximum of 20 points)	20	20	20
State credit substitution (Maximum of 2 points)	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **At-Risk**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **73.016%**

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 One-Bedroom Unit	30%	\$484
3 Two-Bedroom Units	35%	\$581
5 One-Bedroom Units	45%	\$726
9 Two-Bedroom Units	45%	\$871
3 One-Bedroom Units	50%	\$807
6 Two-Bedroom Units	50%	\$968
3 One-Bedroom Units	60%	\$888
5 Two-Bedroom Units	60%	\$1065
1 Two-Bedroom Unit	Manager's Unit	\$895

The general partner or principal owner is Resources for Community Development (RCD).

The project developer is Resources for Community Development (RCD).

The management agent is The John Stewart Company.

The market analyst is Bay Area Economics.

The Local Reviewing Agency, Richmond Community Redevelopment Agency, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$10,942,001 Per Unit Cost: \$303,944 Construction Cost Per Sq. Foot: \$150

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CA Bank & Trust Const. Loan	\$7,264,854	CA Bank & Trust – 1 st Tranche	\$1,162,000
City of Richmond HOME	\$1,151,030	CA Bank & Trust – Sect. 8 Tranche	\$862,500
City of Richmond CDBG	\$75,000	City of Richmond HOME	\$1,151,030
City of Richmond Taxable Bond	\$1,982,057	City of Richmond CDBG	\$75,000
		City of Richmond Taxable Bond	\$1,982,057
		Investor Equity	\$5,709,414
		TOTAL	\$10,942,001

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,159,164
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$160,138
Qualified Basis:	\$7,846,775
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$651,282
Approved Developer Fee:	\$803,369
Tax Credit Factor: <i>CA Housing Partnership Corp.</i>	\$0.87664

Applicant requests and staff recommends annual federal credits of \$651,282, based on a qualified basis of \$7,846,775 and a funding shortfall of \$5,709,414.

Cost Analysis and Line Item Review

The requested eligible basis \$6,159,164 is below TCAC's threshold basis limit \$7,251,792. The basis limit was increased by the following extraordinary features: local development impact fees. 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 8.30% 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

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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/Annual	State/Total
\$651,282	\$0

Standard Conditions

An application for a carryover allocation must be submitted by October 31, 2008, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 a performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is November 17, 2008, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Anthony Zeto