

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2008

Project Number CA-2008-878

Project Name Bay Avenue Senior Apartments
Site Address: 750 Bay Avenue
Capitola, CA 95010 County: Santa Cruz
Census Tract: 1218

Applicant Information

Applicant: Bay Avenue Senior Housing, L.P.
Contact Geoffrey Morgan
Address: 75 East Santa Clara Street, Suite 1250
San Jose, CA 95113
Phone: (408) 291-8650 x11 Fax: (408) 291-8650
Sponsors Type: Nonprofit

Information

Housing Type: Seniors

Bond Information

Issuer: California Housing Finance Agency
Date of Issuance: May 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$23,528,970
Requested: \$23,528,970
Maximum Permitted: \$58,228,068

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 49%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 92%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,026,310	\$0
Recommended:	\$1,026,310	\$0

Project Information

Construction Type: New Construction, Acquisition & Rehabilitation
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: Yes
Total # of Units: 109
Total # Residential Buildings: 6

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 108 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 103
Number of Units @ or below 60% of area median income: 5

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 One-Bedroom	30%	\$489
12 One-Bedroom	17%*	\$263
32 One-Bedroom	50%	\$815
1 One-Bedroom	60%	\$978
19 Two-Bedroom	30%	\$587
21 Two-Bedroom	50%	\$978
4 Two-Bedroom	60%	\$1,174
1 Two-Bedroom	Manager's Unit	\$865

* *Mental Health Service Act operating subsidy to be provided. The units are at the set at the 30% AMI level, but will be restricted at or below 50% AMI for CTCAC purposes.*

The general partner or principal owner is Bay Avenue Senior Housing, LLC.

The project developer is First Community Housing.

The management services will be provided by John Stewart Company.

The market analysis was provided by Newport Realty Advisors.

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

Project Financing

Estimated Total Project Cost: \$27,825,019 Per Unit Cost: \$255,275 Construction Cost Per Sq. Foot: \$163

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CalHFA – Tax-Exempt Bonds	\$21,580,000	CalHFA	\$7,200,000
MHSA Funding	\$1,020,000	MHP	\$6,879,000
City of Capitol – HOME	\$1,900,000	MHSA	\$1,020,000
City of Capitola – RDA	\$765,000	City of Capitola – HOME	\$1,900,000
Income from operations	\$473,782	City of Capitola – RDA	\$765,000
GP Contribution	\$114,000	Income from operations	\$473,782
Accrued interest on deferred loans	\$21,181	GP Contribution	\$114,000
Investor Equity	\$650,000	Accrued interest on deferred loans	\$21,181
		Deferred Fee	\$23,331
		Investor Equity	\$9,428,725
		TOTAL	\$27,825,019

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$19,313,870
Requested Acquisition Eligible Basis:	\$4,215,100
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$25,108,031
Qualified Acquisition Basis:	\$4,215,100
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$874,566
Maximum Annual Federal Acquisition Credit:	\$151,744
Total Maximum Annual Federal Credit:	\$1,026,310
Approved Developer Fee:	\$1,314,000
Tax Credit Factor: <i>Community Economics</i>	\$0.91870

Applicant requests and staff recommends annual federal credits of \$1,026,310, based on a qualified rehabilitation basis of \$25,108,031, a qualified acquisition basis of \$4,215,100, and a funding shortfall of \$9,428,725.

Cost Analysis and Line Item Review

The requested eligible basis \$23,528,970 is below TCAC’s adjusted threshold basis limit \$58,228,068. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. 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: None

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
\$1,026,310	\$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 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 required to provide the tenants with high speed internet, educational classes and contract for services 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.

Project Analyst: Anthony Zeto