

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 20, 2008

Project Number CA-2008-884

Project Name Cloverdale Garden Apartments & Vineyard Manor
Site Address: 18 & 19 Clark Avenue
Cloverdale, CA 95425 County: Sonoma
Census Tract: 1542.00

Applicant Information

Applicant: CGVM Associates, L.P.
Contact: David Rutledge
Address: 2051 Hilltop Drive, Suite A18
Redding, CA 96002
Phone: (530) 221-6960 Fax: (530) 221-7493
Sponsors Type: Joint Venture

Information

Housing Type: Seniors

Bond Information

Issuer: California Statewide Communities Development Authority
Date of Issuance: July 16, 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$8,689,851
Requested: \$8,689,851
Maximum Permitted: \$25,206,687

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 31%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$346,448	\$0
Recommended:	\$346,448	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 70
Total # Residential Buildings: 13

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 69 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 22
Number of Units @ or below 60% of area median income: 47

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
15 One-Bedroom	50%	\$729
8 One-Bedroom	60%	\$851
7 One-Bedroom	60%	\$851
17 One-Bedroom	60%	\$851
4 Two-Bedroom	50%	\$875
10 Two-Bedroom	55%	\$953
3 Three-Bedroom	50%	\$1,010
5 Three-Bedroom	60%	\$1,162
1 Three-Bedroom	Manager's Unit	\$0

The general partners or principal owners are Community Revitalization and Development Corporation and CGVM, LLC.

The project developer is PAM Development, Inc.

The management services will be provided by Professional Apt. Management, Inc.

The market analysis was provided by Lea & Company.

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

Project Financing

Estimated Total Project Cost: \$10,004,951 Per Unit Cost: \$142,928 Construction Cost Per Sq. Foot: \$37

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Washington Mutual Bank – T.E. Bonds	\$5,090,492	Washington Mutual Bank– T.E. Bonds	\$2,200,000
Combined USDA RD Loans	\$3,380,000	Combined USDA RD Loans	\$3,380,000
Rental income during construction	\$301,000	City RDA Loan	\$700,000
Deferred Developer Fee	\$1,133,459	Rental income during construction	\$301,000
Investor Equity	\$100,000	Deferred Developer Fee	\$305,919
		Investor Equity	\$3,118,032
		TOTAL	\$10,004,951

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,112,351
Requested Acquisition Eligible Basis:	\$5,577,500
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$4,046,056
Qualified Acquisition Basis:	\$5,577,500
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$145,658
Maximum Annual Federal Acquisition Credit:	\$200,790
Total Maximum Annual Federal Credit:	\$346,448
Approved Developer Fee:	\$1,133,459
Tax Credit Factor: <i>Boston Capital</i>	\$0.9000

Applicant requests and staff recommends annual federal credits of \$346,448, based on a qualified rehabilitation basis of \$4,046,056, a qualified acquisition basis of \$5,577,500, and a funding shortfall of \$3,118,032.

Cost Analysis and Line Item Review

The requested eligible basis \$8,689,851 is below TCAC's adjusted threshold basis limit \$25,206,687. The basis limit includes the adjustment for extraordinary features for the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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
\$346,448	\$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 service in each project unit and educational classes 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