

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2009 Cash in Lieu of Credits – Section 1602 Funds

August 26, 2009

REVISED – 11-24-09

Project Number CA-2009-582

Project Name Shannon Bay Apartments

Address: 5757 Shannon Bay Drive

Rocklin, CA 95677

County: Placer

Applicant Information

Applicant: HPD Shannon Bay LP

Contact: Kristoffer Kaufmann

Address: 250 W. Colorado Boulevard, Suite 210

Arcadia, CA 91007

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Email: k.kaufmann@highlandcompanies.com

General Partner Type: Joint Venture

The general partner(s) or principal owner(s) are Hearthstone Housing Foundation and HPD Shannon Bay LLC.

Project Information

Construction Type: Rehabilitation and Acquisition

Federal Subsidy: Tax-Exempt/USDA RD

HCD MHP Funding: No

Total # of Units: 50

Total # Residential Buildings: 9

Information

Housing Type: At-Risk

Proposed Average Affordability: 40.00

Davis-Bacon Required: No

NEPA Required: No

State Prevailing Wages Required: Yes

Applicant Requested 15% Augmentation of the Original Development Budget to Help Assist in Complying with Prevailing Wage and Other Federal Requirements.

Augmentation Calculation

15% Prevailing Wage Adjustment: **\$264,058**

Site Work + Structures x 15% = Total Prevailing Wage Adjustment
($\$162,500 + \$1,597,885$) X 15% = $\$264,058$

15% Prevailing Wage Adjustment: \$264,058

2009 TCAC Project Number: CA-2009-801

Federal/Annual

2009 Federal Tax Credits Reserved: \$267,677

2009 Federal Reserved Tax Credits Exchanged/Returned: \$267,677

Original Net Equity Factor: (Max .85 for 2008 & .80 for 2009) .80 Fed

Amount of Financing Requested: \$2,141,416 $((\$267,677 \times .80) \times 10)$

Amount of Prevailing Wage Augmentation Requested: \$264,058

Revised ARRA Cash Request: \$2,405,474 $(\$2,141,416 + \$264,058)$

Total Cash Award Recommended: \$2,405,474

ARRA Scoring Criteria	Max. Possible Points	Points Awarded
<i>DDA Bonus Points</i>	25	25
<i>Housing Type Points (Maximum of 50 points)</i>		
<input checked="" type="checkbox"/> At-Risk Project	30	30
<i>Total Project Cost/Cash Request Points (Maximum of 100 points)</i>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$8,195,603		
Cash Award Request: \$2,141,416		
Total Points Awarded: $100 - (\$2,141,416 / \$8,195,603 \times 100) = 73.8809$	100	73.8711
<i>Total Average Affordability Points (Maximum of 100 points)</i>		
Projects Original Proposed Average Affordability: 40%		
$60\% - \text{Average Affordability} \times 5 \text{ Points} = (60\% - 40\%) \times 5 = 100$	100	100
Total Points	275	228.8711

Approved 2009 TCAC Proposed Rent and Income Levels

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
6 One-Bedroom	50%	\$665
11 One-Bedroom	60%	\$798
7 Two-Bedroom	50%	\$798
18 Two-Bedroom	60%	\$958
3 Three-Bedroom	50%	\$923
4 Three-Bedroom	60%	\$1,107
1 Three-Bedroom	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$8,442,687 Per Unit Cost: \$168,854

JP Morgan Chase Bank	\$3,980,000	Bonneville USDA 538	\$3,980,000
USDA - Rural Development	\$1,207,093	USDA - Rural Development	\$1,207,093

City of Rocklin	\$500,000	City of Rocklin	\$500,000
Other Sources	\$984,496	Seller Carryback	\$235,000
TCAC ARRA Funds	\$856,566	Deferred Developer Fee	\$115,120
		TCAC ARRA Funds	\$2,405,474
		TOTAL	\$8,442,687

Income and Expense Statement for Year 1

Gross Residential Rents:	\$476,880
Rental Subsidy Income:	\$81,780
Miscellaneous Income:	\$7,500
Vacancy Rate: 5%	(\$28,308)
Total Effective Gross Income:	\$537,852
Less Total Expenses/Reserves:	\$217,000
Net Operation Income:	\$320,852
Debt Service:	\$279,023
Net Cash Flow	\$41,829
Debt Service Ratio:	1.15 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Section 1602 funds for the project. This Conditional Reservation would not constitute a commitment. The provision of any funds is conditioned on TCAC's determination to proceed with, modify or cancel the project based on further underwriting and review.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.