

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number CA-2011-821

Project Name Alma Plaza
 Site Address: 3445 Alma Street
 Palo Alto, CA 94306 County: Santa Clara
 Census Tract: 5108.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$225,701	\$0
Recommended:	\$225,701	\$0

Applicant Information

Applicant: Alma Commons, LLC
 Contact: Mike Powers
 Address: 419 Waverley Street
 Palo Alto, CA 94301
 Phone: 650-853-3905 Fax: 650-853-3910
 Email: mike@mcnellis.com

General partner(s) or principal owner(s): Alma Commons, LLC
 General Partner Type: For Profit
 Developer: Trestle Alma Plaza, LLC
 Investor/Consultant: N/A
 Management Agent: McNellis Partners, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 14
 No. & % of Tax Credit Units: 14 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 14

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Bond Information

Issuer: CSCDA
 Date of Issuance: 3/16/2011
 Credit Enhancement: None

Unit Mix

12 1-Bedroom Units
 2 2-Bedroom Units

 14 Total Units

Unit Type & Number	2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 1 Bedroom	50%	40%	\$776
6 1 Bedroom	50%	45%	\$873
1 2 Bedrooms	50%	45%	\$1,048
1 2 Bedrooms	50%	50%	\$1,165

Project Financing

Estimated Total Project Cost: \$8,023,282 Construction Cost Per Square Foot: \$226
 Per Unit Cost: \$573,092

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CSCDA	\$4,000,000	Trestle Alma Plaza, LLC	\$950,000
Alma Commons, LLC	\$1,991,973	Alma Commons, LLC	\$5,041,973
Tax Credit Equity	\$2,031,309	Tax Credit Equity	\$2,031,309
		TOTAL	\$8,023,282

Determination of Credit Amount(s)

Requested Eligible Basis: \$6,638,263
 130% High Cost Adjustment: No
 Applicable Fraction: 100.00%
 Qualified Basis: \$6,638,263
 Applicable Rate: 3.40%
 Maximum Annual Federal Credit: \$225,701
 Approved Developer Fee (in Project Cost & Eligible Basis) \$0
 Investor/Consultant: N/A
 Federal Tax Credit Factor: \$0.90000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis	\$6,638,263
Actual Eligible Basis:	\$6,638,263
Unadjusted Threshold Basis Limit:	\$3,068,244
Total Adjusted Threshold Basis Limit:	\$6,780,819

Adjustments to Basis Limit:

Parking Beneath Residential Units

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
 - Projects recycling at least 75% of the construction and demolition waste
 - Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units
- 95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

Cost Analysis and Line Item Review

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 3.40% 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:

The project’s average cost per unit is higher than than average due to high land costs, city requirements combined with high project density that resulted in the need for a "fully below grade" parking garage, and costly design requirements.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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 Tax Credits/Annual
\$225,701

State Tax Credits/Total
\$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 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 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state 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.

Additional Conditions:

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: Energy Star rated ceiling fans in all bedrooms and living rooms; or use of a whole house fan; or use of an economizer cycle on mechanically cooled HVAC systems, At least one High Efficiency Toilet or dual flush toilets per unit, Material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six (6) sides by laminates and/or a low-VOC primer or sealant (150 grams per liter or less), Interior paint with no volatile organic compounds. (5 grams per liter or less), Formaldehyde-free insulation, At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill or landscape amendments (30%), Inclusion of a construction indoor air quality management plan, and Inclusion of non-smoking buildings or sections of buildings.