

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
September 28, 2011**

Project Number CA-2011-877

Project Name Hudson Townhouse Manor
Site Address: 3421 Hudson Court
Antioch, CA 94509 County: Contra Costa
Census Tract: 3072.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$529,761	\$0
Recommended:	\$529,761	\$0

Applicant Information

Applicant: Hudson Manor Housing Partners, LP
Contact: Nick Arthur
Address: 7817 Ivanhoe Avenue, Suite 101
La Jolla, CA 92037 CA
Phone: (858) 354-8772 Fax: (858) 551-5553
Email: njarthur@wuhpco.com

General partner(s) or principal owner(s): Hudson Manor Development, LLC
Pacific Housing, Inc.
General Partner Type: Joint Venture
Developer: Pacific Housing, Inc.
Investor/Consultant: RBC Capital Markets
Management Agent: FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 20
Total # of Units: 122
No. & % of Tax Credit Units: 121 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 Contract (119 units - 98%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 13
Number of Units @ or below 60% of area median income: 108

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: September 28, 2011
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

70 2-Bedroom Units
 52 3-Bedroom Units

 122 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 2 Bedrooms	50%	49%	\$1,001
57 2 Bedrooms	60%	49%	\$1,001
51 3 Bedrooms	60%	51%	\$1,197
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,125

Project Financing

Estimated Total Project Cost: \$17,524,922
 Estimated Residential Project Cost: \$17,524,922

Residential

Construction Cost Per Square Foot: \$21
 Per Unit Cost: \$143,647

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$12,500,000
Deferred Developer Fee	\$1,211,985
Tax Credit Equity	\$3,812,937

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$12,500,000
Deferred Developer Fee	\$98,145
Tax Credit Equity	\$4,926,777
TOTAL	\$17,524,922

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,301,272
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$11,281,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,301,272
Qualified Basis (Acquisition):	\$11,281,500
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$146,228
Maximum Annual Federal Credit, Acquisition:	\$383,533
Total Maximum Annual Federal Credit:	\$529,761
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,032,535
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.93000

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:	\$15,582,772
Actual Eligible Basis:	\$15,582,772
Unadjusted Threshold Basis Limit:	\$40,531,008
Total Adjusted Threshold Basis Limit:	\$40,531,008

Adjustments to Basis Limit: None.

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. 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.

Local Reviewing Agency:

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

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	State Tax Credits/Total
\$529,761	\$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 provide the tenants with after school programs, educational classes, and a contract with a bona fide service coordinator/social worker, free of charge 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.