

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2011

Project Number CA-2011-923

Project Name Harbor Park Apartments
 Site Address: 969 Porter Street
 Vallejo, CA 94590 County: Solano
 Census Tract: 2507.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$102,625	\$0
Recommended:	\$102,625	\$0

Applicant Information

Applicant: Klein Financial Corporation
 Contact: Alan Bogomilsky
 Address: 550 S. California Avenue, Suite 330
 Palo Alto, CA 94306
 Phone: 650-833-0100 Fax: 650-833-0105
 Email: abogomilsky@klein-financial.com

General partner(s) or principal owner(s): Park Vallejo Manager LLC
 Affordable Housing Access, Inc.
 General Partner Type: Joint Venture
 Developer: Klein Financial Corporation
 Investor/Consultant: Park Vallejo Apartments Investor, LLC
 Management Agent: Alliance Residential Company

Project Information

Construction Type: Rehabilitation
 Total # Residential Buildings: 11
 Total # of Units: 181
 No. & % of Tax Credit Units: 73 40.3%
 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: 19
 Number of Units @ or below 60% of area median income: 54

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: October 2011
 Credit Enhancement: Citibank/Freddie Mac

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

1 1-Bedroom Units
 86 2-Bedroom Units
 94 3-Bedroom Units

 181 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 2 Bedrooms	50%	50%	\$917
27 2 Bedrooms	60%	60%	\$1,101
10 3 Bedrooms	50%	50%	\$1,060
27 3 Bedrooms	60%	60%	\$1,272
1 3 Bedrooms	Manager's Unit*	Manager's Unit*	\$0
1 1 Bedroom	Market Rate	Market Rate	\$950
38 2 Bedrooms	Market Rate	Market Rate	\$1,200
11 2 Bedrooms	Market Rate	Market Rate	\$1,250
1 2 Bedrooms	Market Rate	Market Rate	\$1,275
14 3 Bedrooms	Market Rate	Market Rate	\$1,525
36 3 Bedrooms	Market Rate	Market Rate	\$1,550
6 3 Bedrooms	Market Rate	Market Rate	\$1,600

*An additional manager unit is included in the rent restricted units.

Project Financing

Estimated Total Project Cost: \$27,425,000

Residential

Construction Cost Per Square Foot: \$23
Per Unit Cost: \$151,519

Construction Financing

Source	Amount
Citibank/Freddie Mac Tax Exempt Bonds-Series A	\$20,050,000
Citibank/Freddie Mac Taxable Bonds-Series B	\$2,950,000
Seller Taxable Bonds - Series C	\$1,890,000
Seller Financing	\$926,000
Accrued Interest (Seller Taxable Bonds)	\$35,000
Deferred Developer Fee	\$606,000
General Partner Equity	\$147,000
Tax Credit Equity	\$821,000

Permanent Financing

Source	Amount
Citibank/Freddie Mac Tax Exempt Bonds	\$20,050,000
Citibank/Freddie Mac Taxable Bonds	\$2,950,000
Seller Taxable Bonds - Series C	\$1,890,000
Seller Financing	\$926,000
Accrued Interest (Seller Taxable Bonds)	\$35,000
Deferred Developer Fee	\$606,000
General Partner Equity	\$147,000
Tax Credit Equity	\$821,000
TOTAL	\$27,425,000

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,498,000
130% High Cost Adjustment:	No
Applicable Fraction:	40.30%
Qualified Basis (Rehabilitation):	\$3,021,799
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$102,625
Approved Developer Fee (in Project Cost & Eligible Basis):	\$978,000
Investor:	Park Vallejo Apartments Investor, LLC
Federal Tax Credit Factor:	\$0.80000

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:	\$7,498,000
Actual Eligible Basis:	\$7,498,000
Unadjusted Threshold Basis Limit:	\$61,481,823
Total Adjusted Threshold Basis Limit:	\$67,630,005

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 meet 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:

Existing project currently has 178 units. Rehabilitation work includes the addition of 3 tenant units, including conversion of formerly existing units back to original tenant use.

The application indicates that garages and storage units are provided as an option for a monthly fee. The cost of these items has been excluded from eligible basis. Carports are provided at no cost to the tenants.

The applicant’s estimate of the 3-month operating reserve shown in the project budget is slightly below TCAC’s minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

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	State Tax Credits/Total
\$102,625	\$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 and educational classes 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.

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:

- The project is a rehabilitation project reducing energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission;

- Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less);

- Interior paint with no volatile organic compounds (5 grams per liter or less);

- 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%).