

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 14, 2011**

**Project Number** CA-2011-926

**Project Name** Logan Place  
Site Address: 1200 Petaluma Blvd. N.  
Petaluma, CA 94952 County: Sonoma  
Census Tract: 1509.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,062,074	\$0
Recommended:	\$1,062,074	\$0

**Applicant Information**

Applicant: Burbank Housing Development Corporation (BHDC)  
Contact: Pascal Sisich  
Address: 790 Sonoma Ave.  
Santa Rosa, CA 95404  
Phone: 707-526-9782 Fax: 707-526-9811  
Email: psisich@burbankhousing.org

General partner(s) or principal owner(s): Burbank Housing Development Corporation (BHDC)  
General Partner Type: Nonprofit  
Developer: Burbank Housing Development Corporation (BHDC)  
Investor/Consultant: California Housing Partnership Corporation  
Management Agent: Burbank Housing Management Corporation

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 5  
Total # of Units: 66  
No. & % of Tax Credit Units: 65 100%  
Federal Set-Aside Elected: 20%/50%  
Federal Subsidy: Tax-Exempt/HOME/HUD Sec. 8 Project-based Vouchers (12 Units/18%)  
HCD MHP Funding: Yes  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 36  
Number of Units @ or below 50% of area median income: 29

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: April 1, 2012  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

6 SRO/Studio Units  
 12 1-Bedroom Units  
 21 2-Bedroom Units  
27 3-Bedroom Units  
 66 Total Units

<u>Unit Type &amp; 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>
3 SRO/Studio	30%	30%	\$428
8 1 Bedroom	30%	30%	\$458
11 2 Bedrooms	30%	30%	\$550
14 3 Bedrooms	30%	30%	\$636
2 SRO/Studio	40%	40%	\$571
3 1 Bedroom	40%	40%	\$611
6 2 Bedrooms	40%	40%	\$734
8 3 Bedrooms	40%	40%	\$848
1 SRO/Studio	50%	50%	\$713
1 1 Bedroom	50%	50%	\$764
4 2 Bedrooms	50%	50%	\$917
4 3 Bedrooms	50%	50%	\$1,060
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$27,412,633  
 Estimated Residential Project Cost: \$27,412,633

**Residential**

Construction Cost Per Square Foot: \$217  
 Per Unit Cost: \$415,343

**Construction Financing**

Source	Amount
Wells Fargo Bank - T. E. Bonds	\$15,172,020
City of Petaluma - RDA/In-lieu Funds	\$5,150,000
HCD HOME Funds	\$1,500,000
Costs Deferred During Construction	\$2,767,850
Deferred Developer Fee	\$1,468,000
Tax Credit Equity	\$1,354,763

**Permanent Financing**

Source	Amount
CCRC - T. E. Bonds	\$230,000
CCRC - T.E. Bonds (Sec. 8 Based)	\$802,000
HCD - MHP Funds	\$6,082,042
City of Petaluma-RDA/In-Lieu Funds	\$5,150,000
HCD HOME Funds	\$4,000,000
Deferred Developer Fee	\$1,468,000
Tax Credit Equity	\$9,680,591
<b>TOTAL</b>	<b>\$27,412,633</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$24,028,824
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$31,237,471
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$1,062,074
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.91148

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:	\$24,028,824
Actual Eligible Basis:	\$24,028,824
Unadjusted Threshold Basis Limit:	\$21,225,888
Total Adjusted Threshold Basis Limit:	\$58,158,934

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 44%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 110%

**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:** The project has a commitment of up to 12 HUD Section 8 project-based vouchers from the Housing Authority of the County of Sonoma.

On October 6, 2011, TCAC approved waivers of the minimum construction standards under regulation section 10325(f)(7)(E), (H), and (I) for the unit exterior/entry doors, hot water heaters, and floor coverings, respectively. Under the waiver, the applicant is required to provide alternate types of doors, water heaters, and floor coverings that are equivalent to or better than those described by the minimum construction standards, as proposed in the applicant's e-mail waiver request submitted to TCAC's Executive Director on September 29, 2011.

The units will be individually metered/sub-metered for water service. The utility allowance includes a component for water service as the tenants will be responsible for paying their own water bills.

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Petaluma, has completed as site review of this project and strongly 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**  
**\$1,062,074**

**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:** None.