

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 10, 2012

Project Number CA-12-871

Project Name Berrellesa Palms
Site Address: 301 Buckley Street
Martinez, CA 94553 County: Contra Costa
Census Tract: 3160.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$818,612	\$0
Recommended:	\$818,612	\$0

Applicant Information

Applicant: Berrellesa Palms, LP
Contact: Daniel Sawislak
Address: 2220 Oxford Street
Berkeley, CA 94704
Phone: 510-841-4410 Fax: 510-548-3502
Email: dsawislak@rcdev.org

General partner(s) or principal owner(s): RCD Housing LLC
General Partner Type: For Profit
Developer: Resources for Community Development
Investor/Consultant: California Housing Partnership Corporation
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 49
No. & % of Tax Credit Units: 48 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME / CDBG / HOPWA /
HUD Section 8 Project-based Vouchers (48 units / 100%)
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 48

Bond Information

Issuer: Contra Costa County
Expected Date of Issuance: November 1, 2012
Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Osorio

Unit Mix

48 1-Bedroom Units
 1 3-Bedroom Units

 49 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	20%	20%	\$350
45 1 Bedroom	30%	30%	\$525
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$23,192,785
 Estimated Residential Project Cost: \$23,192,785

Residential

Construction Cost Per Square Foot: \$210
 Per Unit Cost: \$473,322

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo Construction TE Bond	\$14,500,000
Contra Costa County HOME	\$2,950,000
Contra Costa County CDBG	\$1,525,000
Contra Costa County HOPWA	\$310,000
CCC Loans- Accrued Interest	\$171,044
FHLB AHP	\$490,000
Costs Deferred Until Perm	\$1,470,823
Deferred Developer Fee	\$1,129,500
Tax Credit Equity	\$646,418

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC Perm TE Bond	\$2,126,818
Contra Costa County HOME	\$2,950,000
Contra Costa County CDBG	\$1,525,000
Contra Costa County HOPWA	\$310,000
CCC Loans- Accrued Interest	\$171,044
FHLB AHP	\$490,000
HCD MHP Funds	\$6,000,000
Deferred Developer Fee	\$1,129,500
Tax Credit Equity	\$8,490,423
TOTAL	\$23,192,785

Determination of Credit Amount(s)

Requested Eligible Basis: \$19,678,166
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$25,581,616
 Applicable Rate: 3.20%
 Maximum Annual Federal Credit: \$818,612
 Approved Developer Fee (in Project Cost & Eligible Basis): \$2,000,000
 Investor/Consultant: California Housing Partnership Corporation
 Federal Tax Credit Factor: \$1.03717

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:	\$19,678,166
Actual Eligible Basis:	\$19,678,166
Unadjusted Threshold Basis Limit:	\$11,763,040
Total Adjusted Threshold Basis Limit:	\$40,142,872

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 200%

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 3.20% 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, City of Martinez, has completed a 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	State Tax Credits/Total
\$818,612	\$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 a reservation 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