

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 First Round Cycle
June 6, 2007

Project Number CA-2007-064

Project Name Richmond MacDonald Senior Apartments
Site Address: MacDonald Avenue & 4th Street
Richmond, CA 94801 County: Contra Costa Census Tract: 3770.00

Applicant Information

Applicant: MacDonald Housing Partners, L.P.
Contact: William A. Witte
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 **Fax:** (949) 660-7273 **email:** bwitte@related.com
General Partners(s)Type: Joint Venture

Information

Set-Aside: N/A
Housing Type: Senior
Geographic Area: North & East Bay - Contra Costa

Eligible Basis

Requested: \$11,922,873
Actual: \$16,308,062
Maximum Permitted: \$11,955,873

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages Local Impact Fees
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
10% Basis adjustment for Contra Costa County

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$1,260,748 | \$0 |
| Recommended: | \$1,260,748 | \$0 |

Project Information

Construction Type: New Construction
Federal Subsidy: N/A
Total # of Units: 66
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 65 units
Breakdown by %: 10% @ 30%, 50% @ 45%, 15% @ 50%

| Selection Criteria | Max. Possible Points | Requested Points | Points Awarded |
|--|-----------------------------|-------------------------|-----------------------|
| <i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points | 20 | 20 | 20 |
| <input checked="" type="checkbox"/> Credit Reduction | 20 | 2 | 2 |
| <input checked="" type="checkbox"/> Public Funds | 18 | 18 | 18 |
| <i>Owner / Management Characteristics</i> Maximum of 9 points | 9 | 9 | 9 |
| <input checked="" type="checkbox"/> General Partner Experience | 6 | 6 | 6 |
| <input checked="" type="checkbox"/> Management Experience | 3 | 3 | 3 |
| Negative Points | | | |
| <i>Housing Needs</i> Maximum of 10 points | 10 | 10 | 10 |
| <i>Site Amenities</i> Maximum of 15 points | 15 | 15 | 15 |
| <input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours | 6 | 6 | 6 |
| <input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public | 3 | 3 | 3 |
| <input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce | 3 | 3 | 3 |
| <input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital | 3 | 3 | 3 |
| <input checked="" type="checkbox"/> Within ½ mile of a pharmacy | 1 | 1 | 1 |
| <i>Service Amenities</i> Maximum of 10 points | 10 | 10 | 10 |
| <input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School) | 5 | 5 | 5 |
| <input checked="" type="checkbox"/> Contract for services or provision of senior counseling services, with contract in place | 5 | 5 | 5 |
| <i>Neighborhood Revitalization</i> Maximum of 9 points | 9 | 9 | 9 |
| <i>Sustainable Building Methods</i> Maximum of 8 points | 8 | 8 | 8 |
| <input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer | 2 | 2 | 2 |
| <input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures | 1 | 1 | 1 |
| <input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving | 1 | 1 | 1 |
| <input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad | 1 | 1 | 1 |
| <input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust | 2 | 2 | 2 |
| <input checked="" type="checkbox"/> Formaldehyde-free insulation | 1 | 1 | 1 |
| <i>Lowest Income</i> Maximum of 52 points | 52 | 52 | 52 |
| <input checked="" type="checkbox"/> Basic Targeting | 50 | 50 | 50 |
| <input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less | 2 | 2 | 2 |
| <i>Readiness to Proceed</i> Maximum of 20 points | 20 | 20 | 20 |
| <i>State credit substitution</i> Maximum of 2 points | 2 | 2 | 2 |
| | | | |
| Total Points | 155 | 155 | 155 |

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Senior**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **77.338%**

| Unit Type & Number | 2006 Rents for 1st Round 2007 % of Area Median Income | Proposed Rent (including utilities) |
|-------------------------------|---|--|
| 7 One-bedroom | 30% | \$471 |
| 33 One-bedroom | 45% | \$706 |
| 25 One-bedroom | 50% | \$706 |
| 1 One-bedroom | Manager's unit | \$0 |

The general partner(s) or principal owner(s) are Richmond Labor and Love Community Development Corporation, LLC and the Related/Richmond Development Company, LLC.

The project developer is the Related Development Company of California, LLC.

The management agent is Related Management Company.

The market analyst is Laurin Associates.

The Local Reviewing Agency, Richmond Redevelopment Agency, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$17,316,580 Per Unit Cost:\$262,372 Construction Cost Per Sq. Foot: \$298

| Construction Financing | | Permanent Financing | |
|--------------------------|-------------|--------------------------|---------------------|
| Source | Amount | Source | Amount |
| Union Bank of California | \$6,577,835 | Union Bank of California | \$1,535,338 |
| City of Richmond | \$3,175,000 | City of Richmond | \$3,175,000 |
| Deferred Developer Fee | \$1,260,624 | Investor Equity | \$12,606,242 |
| Investor Equity | \$6,303,121 | TOTAL | \$17,316,580 |

Determination of Credit Amount(s)

| | |
|---|--------------|
| Requested Eligible Basis: | \$11,922,873 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100% |
| Qualified Basis Credit Reduction (2%) | \$309,995 |
| Qualified Basis: | \$15,189,740 |
| Applicable Rate: | 8.30% |
| Total Maximum Annual Federal Credit: | \$1,260,748 |
| Total State Credit: | \$0 |
| Approved Developer Fee in Project Cost: | \$1,800,000 |
| Approved Developer Fee in Eligible Basis: | \$1,400,000 |
| Approved Developer Fee: | \$1,800,000 |
| Tax Credit Factor: | \$0.9999 |

Applicant requests and staff recommends annual federal credits of \$1,260,748 and total state credits of \$0, based on a qualified basis of \$15,189,740 and a funding shortfall of \$12,606,242.

Cost Analysis and Line Item Review

The requested eligible basis \$11,922,873 is below TCAC's threshold basis limit \$11,955,873. The basis limit was increased by the following extraordinary features: projects that are located in regions where development costs frequently exceed the published limit, projects that are required to pay state or federal prevailing wages, local development impact fees, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items. 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 8.30% of the qualified basis, or, in the case of acquisition Credit or Credit combined with federal subsidies, 3.60%. 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

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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/Annual | State/Total |
|----------------|-------------|
| \$1,260,748 | \$0 |

Standard Conditions

An application for a carryover allocation must be submitted by October 31, 2007, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(8) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is November 2, 2007, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Elaine Johnson