

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 Second Round Cycle
September 26, 2007

Project Number CA-2007-123

Project Name Marymead Park Apartments
Site Address: 612 E. 17th Street
Marysville, CA 95901 County: Yuba
Census Tract: 402

Applicant Information

Applicant: Mid-Peninsula Housing Coalition
Contact: Sean Thornton
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: (650) 356-2938 Fax: (650) 357-9766
Email: sthornton@midpen-housing.org
General Partners(s) Type: Nonprofit

Information

Set-Aside: At-Risk
Housing Type: Large Family
Geographic Area: Capital/Northern – Yuba County

Eligible Basis

Requested: \$12,872,732
Actual: \$14,051,795
Maximum Permitted: \$12,872,732

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages
Seismic Upgrading Environmental Mitigation
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$968,798	\$3,501,477
Recommended:	\$968,798	\$3,501,477

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: HUD
Total # of Units: 68
Total # Residential Buildings: 39

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 67 units
Breakdown by %: 10% @ 30%, 15% @ 45%, 50% @ 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	13.78	13.78
<input checked="" type="checkbox"/> Within 500 feet of a regular bus stop or rapid transit system stop	4	3.94	3.94
<input checked="" type="checkbox"/> Within 1500 feet of a regular bus stop or rapid transit system stop	3	0.045	0.045
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	2.385	2.385
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	0.41	0.41
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Large Family project within ¼ mile of public school that project children may attend	3	3	3
<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"/> Bona fide service coordinator available	5	5	5
<i>Neighborhood Revitalization</i> Maximum of 9 points	9	4	0
<i>Sustainable Building Methods</i> Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> Rehabilitation project that increases energy efficiency 25% above existing efficiency	4	4	4
<input checked="" type="checkbox"/> Rehabilitation, not subject to Title 24, w/75% fluorescent or comparable	2	2	2
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<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	148.78	144.78

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **No**

First: Housing Type **Large Family**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **No**

Third: Calculated Ratio per Regulation 10325(c)(12) **87.550%**

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 Two-Bedroom Units	30%	\$349
1 Three-Bedroom Units	30%	\$403
2 Two-Bedroom Units	45%	\$523
8 Two-Bedroom Units	45%	\$523
1 Three-Bedroom Units	45%	\$604
30 Two-Bedroom Units	50%	\$581
4 Three-Bedroom Units	50%	\$671
14 Two-Bedroom Units	60%	\$661
1 Three-Bedroom Units	60%	\$805
1 Three-Bedroom Units	Manager's Unit	\$720

The general partner or principal owner is an affiliate of Mid-Peninsula Housing Coalition yet to be determined.

The project developer is Mid-Peninsula Housing Coalition.

The management agent is Mid-Peninsula Housing Management Corporation.

The market analyst is Dennis Cunningham.

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

Project Financing

Estimated Total Project Cost: \$17,327,806 Per Unit Cost: \$254,821 Construction Cost Per Sq. Foot: \$116

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Union Bank of California	\$2,356,000	Union Bank of California	\$2,356,000
HUD MRN	\$1,452,079	HUD MRN	\$1,452,079
GP Equity	\$225,000	GP Equity	\$225,000
Withdrawal from IDRR	\$1,000,000	Withdrawal from IDRR	\$1,000,000
MPHC Loan	\$1,000,000	Deferred Developer Fee	\$651,615
Deferred Developer Fee	\$651,615	Investor Equity	\$11,643,112
Investor Equity	\$10,108,285	TOTAL	\$17,327,806

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,173,415
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,699,317
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$257,455
Qualified Basis (Rehabilitation):	\$10,949,947
Applicable Rate:	8.30%
Qualified Basis (Acquisition):	\$1,665,330
Applicable Rate:	3.60%
Maximum Annual Federal Credit, Rehabilitation:	\$908,846
Maximum Annual Federal Credit, Acquisition:	\$59,952
Total Maximum Annual Federal Credit:	\$968,798
Total State Credit:	\$3,501,477
Approved Developer Fee:	\$1,400,000
Tax Credit Factor:	\$0.88275

Applicant requests and staff recommends annual federal credits of \$968,798 and total state credits of \$3,501,477, based on a qualified rehabilitation basis of \$10,949,947, a qualified acquisition basis of \$1,665,330 and a funding shortfall of \$11,643,112.

Cost Analysis and Line Item Review

The requested eligible basis \$12,872,732 is at TCAC's threshold basis limit \$12,872,732. The basis limit was increased by the following extraordinary features: projects that are required to pay state or federal prevailing wages, projects requiring seismic upgrading of existing structures, and/or requiring toxic or other environmental mitigation as certified by the project architect, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas, using CRI Green Label Plus Carpet or no carpet in all bedrooms, and using vent kitchen range hoods to the exterior of the building in at least 80% of the units. 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: Applicant has received a waiver from the Executive Director for meeting the large family housing type requirements listed below:

- Providing at least 30% of the project units as three-bedroom or larger.
- Minimum square footage for two and three bedroom units.

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
\$968,798	\$3,501,477

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 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.

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 February 22, 2008, 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: Anthony Zeto