CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 16, 2008
REVISED

Project Number CA-2008-831

Project Name Reardon Heights
Address: 50 Reardon Road
San Francisco, CA 94124 County: San Francisco

Applicant Information
Applicant: Cabouchon Properties, LLC
Contact Stephen Mattoon
Address: Pier 9, Suite 114
San Francisco, CA 94111
Phone: (415) 433-2000 Fax: (415) 433-1111
Sponsors Type: For Profit

Bond Information
Issuer: ABAG Finance Authority for Nonprofit Corporations
Expected Date of Issuance: April 3, 2008
Credit Enhancement: FNMA (EF&A Funding)

Eligible Basis
Actual: $8,116,591
Requested: $8,116,591
Maximum Permitted: $24,536,910

Extra Feature Adjustments: None

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$314,180	$0
Recommended:	$314,180	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 82
Total # Residential Buildings: 10

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 81 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 64

Unit Type & Number	**2008 Rents** **% of Area Median Income**	**Proposed Rent** (including utilities)
30 One-Bedroom	42%	$873
30 Two-Bedroom	41%	$1,034
21 Two-Bedroom	43%	$1,087
1 Two-Bedroom	Manager's Unit	$998

The general partner or principal owner is Cabouchon Properties, LLC.

The project developer is Cabouchon Properties, LLC.

The management services will be provided by FPI Management, Inc.

The market analysis was provided by Novogradac and Company.

The Local Reviewing Agency, the Mayor's Office of Housing for the City and County of San Francisco, has completed a site review of this project and supports this project.

Project Financing
Estimated Total Project Cost: $8,863,373 Per Unit Cost: $108,248 Construction Cost Per Sq. Foot: $36

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
EF&A (FNMA)	$4,500,000	EF&A (FNMA)	$4,500,000
City of San Francisco	$1,300,000	City of San Francisco	$1,300,000
Deferred Developer Fee	$139,085	Deferred Developer Fee	$139,085
Investor Equity	$2,937,288	Investor Equity	$2,937,288
		TOTAL	**$8,863,023**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$2,866,591
Requested Acquisition Eligible Basis:	$5,250,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$3,726,568
Qualified Acquisition Basis:	$5,250,000
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$125,180
Maximum Annual Federal Acquisition Credit:	$189,000
Total Maximum Annual Federal Credit:	$314,180
Approved Developer Fee:	$623,903
Tax Credit Factor:	$0.9349

Applicant requests and staff recommends annual federal credits of $314,180, based on a qualified rehabilitation basis of $3,726,568, a qualified acquisition basis of $5,250,000, and a funding shortfall of $2,937,288.

Cost Analysis and Line Item Review
The requested eligible basis $8,116,591 is below TCAC's adjusted threshold basis limit $24,536,910. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

Recommendation: Staff recommends that the Committee make a 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
$314,180	**$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 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 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 anticipated to be the final project costs, 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 of the buildings as completed.

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 credits 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 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.

Project Analyst: Anthony Zeto