

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 28, 2008

Project Number CA-2008-847

Project Name Rohlffs Concordia Manor
Address: 2400 Fair Drive and 2435 Sutherland Drive
Napa, CA 94558 County: Napa

Applicant Information

Applicant: EAH, Inc.
Contact Lynn Berard
Address: 2169 E. Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: (415) 295-8825 **Fax:** (415) 453-3683
Sponsors Type: Nonprofit

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: June 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$6,957,688
Requested: \$6,957,688
Maximum Permitted: \$49,301,654

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 64%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$296,139	\$0
Recommended:	\$296,139	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 146
Total # Residential Buildings: 32

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 145 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 94
Number of Units @ or below 60% of area median income: 51

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
28 Studio	40%	\$556
11 Studio	43%	\$598
30 Studio	46%	\$627
14 Studio	46%	\$627
25 Studio	43%	\$598
14 One-Bedroom	46%	\$674
3 One-Bedroom	46%	\$674
1 One-Bedroom	47%	\$690
11 One-Bedroom	42%	\$623
1 One-Bedroom	55%	\$819
5 Two-Bedroom	50%	\$883
2 Two-Bedroom	50%	\$883
1 Two-Bedroom	Manager's Unit	\$813

The general partner or principal owner is EAH Bay Area Community, LLC.

The project developer is EAH Inc.

The management services will be provided by EAH Inc.

The market analysis was provided by Vernazza Wolfe Associates, Inc.

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

Project Financing

Estimated Total Project Cost: \$8,675,134

Est. Residential Project Cost: \$8,622,645 Per Unit Cost: \$59,059 Construction Cost Per Sq. Foot: \$32

Est. Commercial Project Cost: \$52,489

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank – Tax Exempt	\$5,762,000	Union Bank – Tax Exempt	\$3,264,800
Seller Note	\$720,000	Union Bank Section 8 Loan	\$1,285,400
City of Napa	\$533,512	Seller Note	\$720,000
Income from Operations	\$201,011	City of Napa	\$533,512
General Partner Capital Contribution	\$251,000	Income from Operations	\$204,975
		General Partner Capital Contribution	\$251,000
		Deferred Developer Fee	\$39,227
		Investor Equity	\$2,376,220
		TOTAL	\$8,675,134

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$4,227,945
Requested Acquisition Eligible Basis:	\$2,729,743
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,496,329
Qualified Acquisition Basis:	\$2,729,743
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$197,868
Maximum Annual Federal Acquisition Credit:	\$98,271
Total Maximum Annual Federal Credit:	\$296,139
Approved Developer Fee:	\$579,383
Tax Credit Factor: <i>Community Economics</i>	\$0.8024

Applicant requests and staff recommends annual federal credits of \$296,139, based on a qualified rehabilitation basis of \$5,496,329, a qualified acquisition basis of \$2,729,743, and a funding shortfall of \$2,376,220.

Cost Analysis and Line Item Review

The requested eligible basis \$6,957,688 is below TCAC's adjusted threshold basis limit \$49,301,654. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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
\$296,139	\$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 educational classes and contract for services 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