CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 3, 2008

Project Number	CA-2008-957

Project Name Fairmount Apartments
Address: 401 Fairmount Avenue
Oakland, CA 94611 County: Alameda

Applicant Information

Applicant:	Affordable Housing Associates	
Contact	Neil Saxby	
Address:	1250 Addison Street Berkeley, CA 94702	
Phone:	(510) 649-8500, Ext. 31	Fax: (510) 649-0312
Email:	nsaxby@ahainc.org	
Sponsors Type:	Nonprofit	

Information
Housing Type: Special Needs/Family

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	December 1, 2008
Credit Enhancement:	N/A

Eligible Basis

Actual:	$10,727,772
Requested:	$10,715,390
Maximum Permitted:	$21,090,249

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
95% of Upper Floor Units are Elevator-Serviced: 10%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 56%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 86%

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$448,502	$0
Recommended:	$448,502	$0

Project Information

Construction Type:	Rehabilitation and Acquisition
Federal Subsidy:	Tax-Exempt/HUD Project-based Section 8
HCD MHP Funding:	Yes
Total # of Units:	31
Total # Residential Buildings:	2

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 30 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 35% of area median income: 13
Number of Units @ or below 50% of area median income: 17

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
5 One-Bedroom Units	20%	$261
4 One-Bedroom Units	30%	$484
2 One-Bedroom Units	35%	$565
15 One-Bedroom Units	50%	$807
2 Two-Bedroom Units	35%	$678
2 Two-Bedroom Units	50%	$968
1 Two-Bedroom Unit	Manager's Unit	$0

The general partner or principal owner is Affordable Housing Associates.

The project developer is Affordable Housing Associates

The management services will be provided by Affordable Housing Associates

The market analysis was provided by Laurin Associates.

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

Project Financing

Estimated Total Project Cost: $12,214,653 Per Unit Cost: $394,021 Construction Cost Per Sq. Foot: $228

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CalHFA (Tax-Exempt Bonds)	$6,300,000	CalHFA Permanent Loan	$525,000
MHSA	$500,000	CalHFA Residual Gap Loan	$250,000
City of Oakland	$3,400,000	MHSA	$500,000
City of Oakland Interest	$91,174	City of Oakland (inc. accrued interest)	$3,491,174
AHP	$415,000	HCD-MHP	$2,306,485
Costs deferred until Permanent Loan Closing	$721,837	AHP	$415,000
Deferred Developer Fee	$700,775	Deferred Developer Fee	$700,775
Investor Equity	$85,867	Investor Equity	$4,026,219
		TOTAL	**$12,214,653**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$6,996,517
Requested Acquisition Eligible Basis:	$3,718,873
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$9,095,472
Qualified Acquisition Basis:	$3,718,873
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$318,341
Maximum Annual Federal Acquisition Credit:	$130,161
Total Maximum Annual Federal Credit:	$448,502
Approved Developer Fee:	$1,399,275
Tax Credit Factor: *Enterprise Comm. Investments*	$0.89770

Applicant requests and staff recommends annual federal credits of $448,502, based on a qualified rehabilitation basis of $9,095,472, a qualified acquisition basis of $3,718,873, and a funding shortfall of $4,026,219.

Cost Analysis and Line Item Review
The requested eligible basis $10,715,390 is below TCAC's adjusted threshold basis limit $21,090,249. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that include 95% of upper floor units are elevator-serviced, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. 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 3.50% 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: Staff has inquired and received confirmation that the high credit pricing was due to the project being part of an existing pool and will be held by the investor.

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
$448,502	**$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 high-speed internet, 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