

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 30, 2009

Project Number CA-2009-810

Project Name Moonlight Apartments
Address: 425 and 455 West Chestnut Street
Dixon, CA 95620 County: Solano

Applicant Information

Applicant: Moonlight Housing Partners, LP
Contact Stephen R. Whyte
Address: 1700 Seventh Avenue, Suite 2075
Seattle, WA 98101
Phone: (206) 621-7420 Fax: (206) 621-7420
Email: srw@housingadvisors.com
Sponsors Type: Joint Venture

Information

Housing Type: At-Risk

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: May 29, 2009
Credit Enhancement: N/A

Eligible Basis

Actual: \$5,456,192
Requested: \$5,456,192
Maximum Permitted: \$17,608,627

Extra Feature Adjustments:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 20%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$190,967	\$0
Recommended:	\$190,967	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/USDA
HCD MHP Funding: No
Total # of Units: 56
Total # Residential Buildings: 6

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 55 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 50% of area median income: 11
 Number of Units @ or below 60% of area median income: 44

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 One-Bedroom	50%	\$706
8 One-Bedroom	60%	\$827
3 Two-Bedroom	50%	\$848
15 Two-Bedroom	60%	\$916
1 One-Bedroom	50%	\$706
1 One-Bedroom	60%	\$833
5 Two-Bedroom	50%	\$849
20 Two-Bedroom	60%	\$927
1 Two-Bedroom	Manager's Unit	\$0

The general partners or principal owners are Moonlight Housing Management, LLC and Hearthstone Housing Foundation.

The project developer is Allied Pacific Development, LLC.

The management services will be provided by MBS Management.

The market analysis was provided by Lea and Company.

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

Project Financing

Estimated Total Project Cost: \$6,938,088 Per Unit Cost: \$123,894 Construction Cost Per Sq. Foot: \$19

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bonneville Multifamily – Tax Exempt Bonds	\$3,900,000	Bonneville Multifamily – Tax Exempt Bonds	\$3,900,000
USDA Rural Development Replacement Reserves	\$1,358,919	USDA Rural Development Replacement Reserves	\$1,358,919
Pre-Conversion Cash Flow	\$11,206	Pre-Conversion Cash Flow	\$11,206
Deferred Developer Fee	\$266,958	Deferred Developer Fee	\$266,958
Investor Equity	\$1,298,574	Investor Equity	\$1,298,574
		TOTAL	\$6,938,088

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$1,336,762
Requested Acquisition Eligible Basis:	\$4,119,430
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$1,336,762
Qualified Acquisition Basis:	\$4,119,430
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$46,787
Maximum Annual Federal Acquisition Credit:	\$144,180
Total Maximum Annual Federal Credit:	\$190,967
Approved Developer Fee:	\$711,677
Tax Credit Factor: <i>WNC & Associates</i>	\$0.6800

Applicant requests and staff recommends annual federal credits of \$190,967, based on a qualified rehabilitation basis of \$1,336,762, a qualified acquisition basis of \$4,119,430, and a funding shortfall of \$1,298,574.

Cost Analysis and Line Item Review

The requested eligible basis \$5,456,192 is below TCAC’s adjusted threshold basis limit \$17,608,627. 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 3.50% 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 noticed a low tax credit factor, but determined that it would currently be in the range required in the application for tax exempt bond financed projects.

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
\$190,967

State/Total
\$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: None

Project Analyst: Anthony Zeto