

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009

Project Number CA-2009-844

Project Name Erna P. Harris Court
Address: 1330 University Avenue
Berkeley, CA 94702 County: Alameda

Applicant Information

Applicant: RCD Housing LLC
Contact Carolyn Bookhart
Address: 2730 Telegraph Avenue
Berkeley, CA 94705
Phone: (510) 841-4410 x20 **Fax:** (510) 548-3502
Email: cbookhart@rcdev.org
Sponsors Type: Nonprofit

Information

Housing Type: Special Needs

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: December 31, 2009
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$224,581	\$0
Recommended:	\$224,581	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/HUD Project-based Section 8
HCD MHP Funding: Yes
Total # of Units: 35
Total # Residential Buildings: 4
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 34 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis

Actual: \$6,416,606
Requested: \$6,416,606
Maximum Permitted: \$23,925,544

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 29%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 140%

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 Studio Units	30%	\$468
5 Studio Units	37%	\$572
4 One-bedroom Units	30%	\$502
5 One-bedroom Units	39%	\$641
1 One-bedroom Unit	Manager's Unit	\$0

The general partner or principal owner is RCD Housing, LLC.

The project developer is Resources for Community Development.

The management services will be provided by the John Stewart Company.

The market analysis was provided by Bay Area Economics.

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

Project Financing

Estimated Total Project Cost: \$9,054,601 Per Unit Cost: \$258,703 Construction Cost Per Sq. Foot: \$85

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank	\$4,500,000	LISC	\$257,755
HCD – CHRP (Existing)	\$1,592,532	HCD – MHP	\$3,164,004
City of Berkeley (Existing)	\$1,118,959	HCD – CHRP (Existing)	\$1,592,532
City of Berkeley	\$400,000	City of Berkeley (Existing)	\$1,118,959
Alameda County – HOPWA	\$500,000	City of Berkeley	\$400,000
Existing Reserves	\$60,253	Alameda County – HOPWA	\$500,000
Costs Deferred Until Permanent	\$521,934	Existing Reserves	\$60,253
Deferred Developer Fee	\$164,448	Deferred Developer Fee	\$164,448
Investor Equity	\$196,474	Investor Equity	\$1,796,650
		TOTAL	\$9,054,601

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$5,232,920
Requested Acquisition Eligible Basis:	\$1,183,686
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,232,920
Qualified Acquisition Basis:	\$1,183,686
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$183,152
Maximum Annual Federal Acquisition Credit:	\$41,429
Total Maximum Annual Federal Credit:	\$224,581
Approved Developer Fee (in Project Cost & Eligible Basis):	\$836,948
Investor Consultant:	CA Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.80000

Cost Analysis and Line Item Review

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: The applicant must submit to TCAC, at the time the placed in service documentation is submitted, 3rd party lender verification of the assumed debt at the time of closing on the purchase of the property. The total assumed debt figure represents the purchase price of the property. Should the assumed debt figure be less than the acquisition basis of the existing improvements figure presented in the preliminary application, TCAC may re-evaluate the acquisition basis of the existing improvements, which ultimately may affect the final tax credit award.

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 Tax Credits/Annual	State Tax Credits/Total
\$224,581	\$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 (1) high-speed internet and (2) contract for services free of charge 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