

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
November 17, 2010**

Project Number CA-2010-833

Project Name Jerron Place Apartments
Site Address: 1730 Jerron Place
Sacramento, CA 95825 County: Sacramento
Census Tract: 55.050

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$127,053	\$0
Recommended:	\$127,053	\$0

Applicant Information

Applicant: Bellwood Jerron Holdings, LLC
Contact: Tony Hladek
Address: 595 South Riverwoods Parkway, Ste. 400
Logan, UT 84321
Phone: 949-367-1393 Fax: 949-961-0244
Email: thladek@netwasatch.com

General partner(s) or principal owner(s): Bellwood Jerron Holdings, LLC
Western Community Housing, Inc
General Partner Type: Joint Venture
Developer: Wasatch Advantage Group
Investor/Consultant: Redstone Equity Partners
Management Agent: Wasatch Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 5
Total # of Units: 40
No. & % of Tax Credit Units: 39 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 8
Number of Units @ or below 60% of area median income: 31

Information

Housing Type: Non-Targeted
Geographic Area: Capital & Northern Region
TCAC Project Analyst: Gina Ferguson

Bond Information

Issuer: CalHFA
 Expected Date of Issuance: December 2010
 Credit Enhancement: Freddie Mac

Unit Mix

40 2-Bedroom Units
 40 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 2 Bedrooms	50%	50%	\$822
31 2 Bedrooms	60%	57%	\$930
1 2 Bedrooms	50%	50%	\$822
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$850

Project Financing

Estimated Total Project Cost: \$4,379,923 Construction Cost Per Square Foot: \$18
 Per Unit Cost: \$109,498

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Prudential	\$3,300,000	Prudential	\$3,300,000
Deferred Costs	\$165,139	Deferred Developer Fee	\$165,139
Tax Credit Equity	\$914,784	Tax Credit Equity	\$914,784
		TOTAL	\$4,379,923

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$1,115,237
 130% High Cost Adjustment: No
 Requested Eligible Basis (Acquisition): \$2,622,000
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$1,115,237
 Qualified Basis (Acquisition): \$2,622,000
 Applicable Rate: 3.40%
 Maximum Annual Federal Credit, Rehabilitation: \$37,905
 Maximum Annual Federal Credit, Acquisition: \$89,148
 Total Maximum Annual Federal Credit: \$127,053
 Approved Developer Fee (in Project Cost & Eligible Basis): \$487,465
 Investor/Consultant: Redstone Equity Partners
 Federal Tax Credit Factor: \$0.72000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$3,737,237
Actual Eligible Basis:	\$3,737,237
Unadjusted Threshold Basis Limit:	\$8,800,000
Total Adjusted Threshold Basis Limit:	\$10,560,000

Adjustments to Basis Limit:

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

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 limitations. Annual operating expenses are below the minimum operating expenses established in the Regulations and a waiver has been requested. The project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.40% 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: Per section 10237(g)(1) of TCAC regulations The Executive Director may, in his/her sole discretion, utilize operating expenses up to 15% less than required in this subsection for underwriting when the equity investor and the permanent lender are in place and provide evidence that they have agreed to such lesser operating expenses. The necessary information was provided and the waiver has been granted.

Local Reviewing Agency:

The Local Reviewing Agency, Sacramento Housing & Redevelopment Agency, has completed a site review of this project and supports this project.

Recommendation: Staff recommends that the Committee make a preliminary 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
\$127,053

State Tax Credits/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 preliminary 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 as presented 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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 afterschool programs and educational classes 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.

The applicant/owner is required to complete the following Sustainable Building Method in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

25% Reduction of energy per square foot