

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 11, 2012

Project Number CA-12-836

Project Name Humboldt Apartments
 Site Address: 499 Humboldt
 Santa Rosa, CA 95404 County: Sonoma
 Census Tract: 1520.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$451,721	\$0
Recommended:	\$451,721	\$0

Applicant Information

Applicant: Humboldt Apartments L.P.
 Contact: Hugh Futrell
 Address: 200 Fourth Street
 Santa Rosa, CA 95404
 Phone: 707-568-3482 Fax: 707-568-3457
 Email: hughf@hughfutrellcorp.com

General partner(s) or principal owner(s): North Bay Equities I, LLC
 Community Housing Sonoma County
 General Partner Type: Joint Venture
 Developer: Hugh Futrell Corporation
 Investor/Consultant: PNC Real Estate
 Management Agent: Hugh Futrell Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 52
 No. & % of Tax Credit Units: 51 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG
 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: 43

Bond Information

Issuer: City of Santa Rosa
 Expected Date of Issuance: August 2012
 Credit Enhancement: None

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

17 1-Bedroom Units
 20 2-Bedroom Units
 15 3-Bedroom Units
 52 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	50%	49%	\$757
14 1 Bedroom	60%	59%	\$909
3 2 Bedrooms	50%	49%	\$913
16 2 Bedrooms	60%	58%	\$1,088
2 3 Bedrooms	50%	49%	\$1,045
13 3 Bedrooms	60%	59%	\$1,264
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,695

Project Financing

Estimated Total Project Cost: \$12,987,288
 Estimated Residential Project Cost: \$12,556,411
 Estimated Commercial Project Cost \$430,877

Residential

Construction Cost Per Square Foot: \$114
 Per Unit Cost: \$241,469

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>
Tax Exempt Bonds	\$6,400,000
City of Santa Rosa	\$3,121,400
Deferred Developer Fee	\$459,366

<u>Source</u>	<u>Amount</u>
Tax Exempt Bonds	\$5,070,000
City of Santa Rosa	\$3,121,400
Deferred Developer Fee	\$459,366
Tax Credit Equity	\$4,336,522
TOTAL	\$12,987,288

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,003,177
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,304,130
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$451,721
Approved Developer Fee in Project Cost:	\$1,445,197
Approved Developer Fee in Eligible Basis:	\$1,435,197
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	\$0.96000

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:	\$11,003,177
Actual Eligible Basis:	\$11,003,177
Unadjusted Threshold Basis Limit:	\$15,433,646
Total Adjusted Threshold Basis Limit:	\$20,372,413

Adjustments to Basis Limit:

Parking Beneath Residential Units

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 15%

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 by a minimal amount; the project pro forma shows a positive cash flow from year one. Refer to Special Issues section below. Staff has calculated federal tax credits based on 3.20% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information

Staff noted that the pro forma annual operating expenses were less than the minimum operating expenses established in the Regulations by a minimal amount. The project owner must show that this requirement is met when submitting a placed-in-service package prior to the issuance of 8609 tax forms.

The applicant’s estimate of the contractor’s profit, overhead and general requirement costs exceed the 14% limit established by regulation. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit will not be allowed.

The developer fee includes an amount about 15% of eligible basis for non-residential costs. At final review prior to the issuance of the IRS 8609 forms, the developer fee for residential project cannot exceed the lesser of 15% of eligible basis or \$1,435,197. The non-residential developer fee is limited to the amount in the application. If at completion the project does not include non-residential costs, the developer fee will not be permitted to receive developer fee above the residential-related amount.

Local Reviewing Agency:

The Local Reviewing Agency, the Housing Authority of the City of Santa Rosa, has completed a site review of this project and strongly 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	State Tax Credits/Total
\$451,721	\$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 a reservation 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: None