

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

**Project Number** CA-12-840

**Project Name** Gridley Springs II Apartments  
 Site Address: 200 Ford Avenue  
 Gridley, CA 95948 County: Butte  
 Census Tract: 35.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$91,102	\$0
Recommended:	\$91,102	\$0

**Applicant Information**

Applicant: Dawson Holdings, Inc.  
 Contact: Tim Fluetsch  
 Address: 300 Turney Street, 2nd Floor  
 Sausalito, CA 94965  
 Phone: 801-244-6658 Fax: 415-332-8391  
 Email: tfluetsch@d-h-I.net

General partner(s) or principal owner(s): Dawson Holdings, Inc.  
 DFA Development, LLC  
 Community Resident Services

General Partner Type: Joint Venture  
 Developer: Dawson Holdings, Inc.  
 Investor/Consultant: Michel Associates, Ltd.  
 Management Agent: Hank Fisher Properties

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 3  
 Total # of Units: 24  
 No. & % of Tax Credit Units: 24 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 24

**Bond Information**

Issuer: California Affordable Housing Agency  
 Expected Date of Issuance: September 20, 2012  
 Credit Enhancement: None

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

12 2-Bedroom Units  
 12 3-Bedroom Units  


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 24 Total Units

<u>Unit Type &amp; 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>
2 2 Bedrooms	50%	44%	\$577
10 2 Bedrooms	50%	44%	\$580
6 3 Bedrooms	50%	41%	\$619
6 3 Bedrooms	50%	45%	\$686

**Project Financing**

Estimated Total Project Cost: \$3,507,903      Construction Cost Per Square Foot: \$49  
 Per Unit Cost: \$146,163

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Rabobank, N.A.	\$1,700,000	City of Gridley-HOME Loan	\$2,260,000
City of Gridley-HOME Loan	\$850,000	RHCP Loan	\$218,000
RHCP Loan	\$218,000	Project Reserves Credit	\$30,000
Project Reserves Credit	\$30,000	RHCP Seller Credit	\$180,000
RHCP Seller Credit	\$180,000	Tax Credit Equity	\$819,903
Post Construction Sources	\$429,903	<b>TOTAL</b>	<b>\$3,507,903</b>
Tax Credit Equity	\$100,000		

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$1,662,670
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,184,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$1,662,670
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$1,184,500
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$53,198
Maximum Annual Federal Credit, Acquisition:	\$37,904
Total Maximum Annual Federal Credit:	\$91,102
Approved Developer Fee (in Project Cost & Eligible Basis):	\$371,370
Investor/Consultant:	Michel Associates, Ltd.
Federal Tax Credit Factor:	\$0.89998

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:	\$2,847,170
Actual Eligible Basis:	\$2,847,170
Unadjusted Threshold Basis Limit:	\$5,909,760
Total Adjusted Threshold Basis Limit:	\$13,001,472

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

**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 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 3.20% 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:**

This is a re-application of project CA-12-819 that incorporated Gridley Springs 1 & 2. Applicant had to re-apply with two separate applications, as site 1 has USDA financing and site 2 does not.

This project is a re-syndication of TCAC project CA-1991-177.

The manager's unit on the Gridley Springs 1 site will also serve the Gridley Springs 2 site as indicated in the original application for CA-12-819.

**Local Reviewing Agency:**

The Local Reviewing Agency, City of Gridley, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$91,102</b>	<b>\$0</b>

**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