

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 20, 2008

Project Number CA-2008-867

Project Name Clara Court Apartments
Address: 600 N. Orchard Avenue
Ukiah, CA 95482

County: Mendocino

Applicant Information

Applicant: Clara Court, L.P.
Contact: Bruce Alfano
Address: 499 Leslie Street
Ukiah, CA 95482
Phone: (707) 463-1975
Sponsors Type: Nonprofit

Fax: (707) 463-2252

Bond Information

Issuer: Community Development Commission of Mendocino County
Expected Date of Issuance: August 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$7,907,102
Requested: \$7,907,102
Maximum Permitted: \$9,295,055

Extra Feature Adjustments:

Local Development Impact Fees:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 40%

Tax Credit Amounts

Federal/Annual

State/Total

Requested:	\$370,015	\$0
Recommended:	\$370,015	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: No
Total # of Units: 32
Total # Residential Buildings: 3

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 32 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 13
Number of Units @ or below 60% of area median income: 19

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 One-Bedrooms	50%	\$504
1 One-Bedroom	55%	\$554
2 One-Bedrooms	60%	\$605
4 One-Bedrooms	60%	\$605
1 Two-Bedroom	50%	\$605
1 Two-Bedroom	50%	\$605
2 Two-Bedrooms	50%	\$605
1 Two-Bedroom	50%	\$605
1 Two-Bedroom	50%	\$605
1 Two-Bedroom	55%	\$665
1 Two-Bedroom	55%	\$665
2 Two-Bedrooms	60%	\$726
4 Two-Bedrooms	60%	\$726
1 Three-Bedroom	50%	\$699
1 Three-Bedroom	50%	\$699
2 Three-Bedrooms	50%	\$699
1 Three-Bedroom	55%	\$769
3 Three-Bedrooms	60%	\$839

The general partner or principal owner is the Rural Communities Housing Development Corporation.

The project developer is Rural Communities Housing Development Corporation.

The management services will be provided by Rural Communities Housing Development Corporation.

The market analysis was provided by Goldrush Realty Advisors, Inc.

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

Project Financing

Estimated Total Project Cost: \$8,831,499 Per Unit Cost: \$275,984 Construction Cost Per Sq. Foot: \$174

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America – Tax Exempt	\$4,750,000	Bank of America – Tax Exempt	\$1,025,000
HOME – HCD	\$1,957,000	HOME – HCD	\$3,413,603
County of Mendocino	\$249,000	County of Mendocino	\$249,000
City of Ukiah	\$300,000	City of Ukiah	\$300,000
RCHDC Capital Contribution	\$191,500	RCHDC	\$350,000
Investor Equity	\$700,000	RCHDC Capital Contribution	\$191,500
		Deferred Developer Fee	\$231,268
		Investor Equity	\$3,071,128
		TOTAL	\$8,831,499

Determination of Credit Amount(s)

Requested Eligible Basis:	\$7,907,102
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$10,279,233
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$370,015
Approved Developer Fee:	\$1,031,361
Tax Credit Factor: Fred Consulting	\$.8300

Applicant requests and staff recommends annual federal credits of \$370,015 based on a qualified basis of \$10,279,233 and a funding shortfall of \$3,071,128.

Cost Analysis and Line Item Review

The requested eligible basis \$7,907,102 is below TCAC's adjusted threshold basis limit \$9,295,055. The basis limit includes the adjustment for extraordinary features for local development impact fees and the 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 3.60% 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: None

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	State/Total
\$370,015	\$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: Stephenie Alstrom