

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 28, 2010

Project Number CA-2010-824

Project Name South PACE
Site Address: 1189 Tabor Avenue
1226 Tabor Avenue, 2020 Bristol Lane
2001, 2007, 2013, 2019, 2025, 2031 Bristol Lane
Fairfield, CA 94533 County: Solano
Census Tract: 2526.040

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$307,572 | \$0 |
| Recommended: | \$307,572 | \$0 |

Applicant Information

Applicant: ANF Family Partners, L.P.
Contact: Richard J. Whittingham
Address: 9065 Haven Avenue, Suite 100
Rancho Cucamonga, CA 91730
Phone: (909) 483-2444 Fax: (909) 483-2448
Email: rwhittingham@nationalcore.org

General partner(s) or principal owner(s): National Community Renaissance of California
General Partner Type: Nonprofit
Developer: National CORE
Investor/Consultant: Boston Capital
Management Agent: National CORE

Project Information

Construction Type: Rehabilitation
Total # Residential Buildings: 14
Total # of Units: 93
No. & % of Tax Credit Units: 92 100%
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: 21
Number of Units @ or below 60% of area median income: 71

Information

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

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: December 2010
 Credit Enhancement: Freddie Mac Direct Pay Credit Facility

Unit Mix

93 2-Bedroom Units
 93 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> |
|-------------------------------|--|--|--|
| 2 2 Bedrooms | 40% | 40% | \$713 |
| 1 2 Bedrooms | 50% | 50% | \$891 |
| 8 2 Bedrooms | 50% | 50% | \$891 |
| 7 2 Bedrooms | 50% | 14% | \$254 |
| 3 2 Bedrooms | 50% | 28% | \$507 |
| 71 2 Bedrooms | 60% | 56% | \$1,003 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Financing

Estimated Total Project Cost: \$21,053,632 Construction Cost Per Square Foot: \$63
 Per Unit Cost: \$226,383

Construction Financing

Permanent Financing

| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
|----------------------------------|---------------|----------------------------------|---------------------|
| CalHFA New Issuance Bond Program | \$5,100,000 | CalHFA New Issuance Bond Program | \$5,100,000 |
| Wells Fargo Bank | \$5,733,294 | City of Fairfield RDA | \$9,073,694 |
| City of Fairfield RDA | \$8,168,799 | HCD - HOME | \$1,688,005 |
| Tax Credit Equity | \$447,685 | MHSA | \$1,200,000 |
| | | National CORE - sponsor loan | \$1,000,000 |
| | | Deferred Developer Fee | \$808,173 |
| | | Tax Credit Equity | \$2,183,760 |
| | | TOTAL | \$21,053,632 |

Determination of Credit Amount(s)

Requested Eligible Basis: \$9,293,131
 130% High Cost Adjustment: No
 Applicable Fraction: 100.00%
 Qualified Basis: \$9,293,131
 Applicable Rate: 3.40%
 Total Maximum Annual Federal Credit: \$307,572
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,206,278
 Investor/Consultant: Boston Capital
 Federal Tax Credit Factor: \$0.71000

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: | \$9,293,131 |
| Actual Eligible Basis: | \$9,293,131 |
| Unadjusted Threshold Basis Limit: | \$27,602,400 |
| Total Adjusted Threshold Basis Limit: | \$33,676,994 |

Adjustments to Basis Limit:

Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 22%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees with the exception of builder overhead to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet 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 3.40% 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.

The applicant’s estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limit will not be allowed.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, the City of Fairfield, 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
\$307,572

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 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 Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted.