

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

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

**Project Number** CA-2010-845

**Project Name** Avalon Walnut Creek at Contra Costa Centre  
Site Address: 1001 Harvey Drive, 1301 Las Juntas Way,  
7000, 7001, 7011 Sunne Lane  
Walnut Creek, CA 94956 County: Contra Costa  
Census Tract: 3240.400

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$789,053	\$0
Recommended:	\$789,053	\$0

**Applicant Information**

Applicant: PHVPI, L.P.  
Contact: Joanne M. Lockridge  
Address: 1000 Bridgeport Avenue, Suite 258  
Shelton, CT 06484  
Phone: 203-926-2326 Fax: 203-926-2304  
Email: joanne\_lockridge@avalonbay.com

General partner or principal owner: PHVPI GP, LLC  
General Partner Type: For Profit  
Developer: AvalonBay Communities, Inc.  
Investor/Consultant: Novogradac & Company LLP  
Management Agent: AvalonBay Communities, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 3  
Total # of Units: 418  
No. & % of Tax Credit Units: 84 20%  
Federal Set-Aside Elected: 20%/50%  
Federal Subsidy: Tax Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 84

**Information**

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

**Bond Information**

Issuer: County of Contra Costa  
 Date of Issuance: March 2006  
 Credit Enhancement: Bank of America

**Unit Mix**

31 SRO/Studio Units  
 187 1-Bedroom Units  
 171 2-Bedroom Units  
29 3-Bedroom Units  
 418 Total Units

<u>Unit Type &amp; 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>
6 SRO/Studio	50%	36%	\$576
38 1 Bedroom	50%	44%	\$738
31 2 Bedrooms	50%	44%	\$897
3 2 Bedrooms	50%	45%	\$905
6 3 Bedrooms	50%	44%	\$1,043
5 1 Bedroom	Manager Units	Manager Units	\$1,965
25 SRO/Studio	Market Rate Units	Market Rate Units	\$1,470
144 1 Bedroom	Market Rate Units	Market Rate Units	\$1,965
124 2 Bedrooms	Market Rate Units	Market Rate Units	\$2,495
13 2 Bedrooms	Market Rate Units	Market Rate Units	\$2,625
23 3 Bedrooms	Market Rate Units	Market Rate Units	\$3,050

**Project Financing**

Estimated Total Project Cost: \$154,142,948      Construction Cost Per Square Foot: \$137  
 Estimated Commercial Project Cost: \$19,887,214      Per Unit Cost: \$368,763

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$116,000,000	Bank of America	\$116,000,000
Bank of America	\$9,000,000	Bank of America	\$9,000,000
Bank of America	\$10,000,000	Bank of America	\$10,000,000
Contra Costa County Redevelopment Agency	\$2,500,000	Contra Costa County Redevelopment	\$2,500,000
Developer Equity	\$16,642,948	Developer Equity	\$10,488,338
		Tax Credit Equity	\$6,154,610
		<b>TOTAL</b>	<b>\$154,142,948</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$114,103,202
130% High Cost Adjustment:	No
Applicable Fraction:	20.34%
Qualified Basis:	\$23,207,431
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$789,053
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$2,053,480
Investor/Consultant:	Novogradac & Company LLP
Federal Tax Credit Factor:	\$0.78000

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:	\$114,103,202
Actual Eligible Basis:	\$114,103,202
Unadjusted Threshold Basis Limit:	\$114,396,174
Total Adjusted Threshold Basis Limit:	\$161,298,605

**Adjustments to Basis Limit:**

Parking Beneath Residential Units

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects recycling at least 75% of the construction and demolition waste
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the 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: 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 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 3.40% 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:** None

**Local Reviewing Agency:**

The Local Reviewing Agency, Contra Costa County, 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>\$789,053</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 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 Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less or humidistat fans in all bathrooms;
- Formaldehyde-free or fully sealed particleboard or fiberboard for all cabinets, countertops and shelving; and
- Use of energy efficient appliances with energy star ratings for all appliances and for all heating and cooling systems that will be used in the development.