

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
July 20, 2011**

**Project Number** CA-2011-860

**Project Name** Valley Commons East  
Site Address: 295 Joerschke Road  
Grass Valley, CA 95945 County: Nevada  
Census Tract: 5.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$198,560	\$0
Recommended:	\$198,560	\$0

**Applicant Information**

Applicant: Star - VC East Limited Partnership  
Contact: Mike Moore  
Address: 973 Featherstone Road, Suite 325  
Rockford, IL 61107  
Phone: 815-397-8827 Fax: 815-397-7565  
Email: mikemoore@star-hold.com

General partner(s) or principal owner(s): Valley Commons East G/P, LLC  
WHA - VC East G/P, LLC  
General Partner Type: Joint Venture  
Developer: Star Development, LLC  
Investor/Consultant: WNC & Associates, Inc.  
Management Agent: Professional Property Mgmt, LLC

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 7  
Total # of Units: 56  
No. & % of Tax Credit Units: 55 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax Exempt /USDA RHS 515 & 521 (55 units - 100%)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 17  
Number of Units @ or below 60% of area median income: 38

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: 09/21/11  
 Credit Enhancement: N/A

**Information**

Housing Type: At-Risk  
 Geographic Area: N/A  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

12 1-Bedroom Units  
 44 2-Bedroom Units  


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 56 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>
8 1 Bedroom	60%	52%	\$681
4 1 Bedroom	50%	48%	\$624
30 2 Bedrooms	60%	52%	\$809
13 2 Bedrooms	50%	48%	\$749
1 2 Bedrooms	Manager's Unit	Manager's Unit	0

**Project Financing**

Estimated Total Project Cost: \$6,305,168      Construction Cost Per Square Foot: \$32  
 Per Unit Cost: \$112,592

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank	\$3,500,000	US Bank	\$2,300,000
USDA RHS 515	\$1,653,439	USDA RHS 515	\$1,653,439
USDA Existing Replacement Reserves	\$270,435	USDA Existing Replacement Reserves	\$270,435
City of Grass Valley RDA Loan	\$250,000	City of Grass Valley RDA Loan	\$250,000
Net Operating Income	\$105,000	Net Operating Income	\$105,000
Deferred Developer Fee	\$237,094	Deferred Developer Fee	\$237,094
Tax Credit Equity	\$289,200	Tax Credit Equity	\$1,489,200
		<b>TOTAL</b>	<b>\$6,305,168</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,245,219
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,921,215
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,918,784
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$2,921,215
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$99,239
Maximum Annual Federal Credit, Acquisition:	\$99,321
Total Maximum Annual Federal Credit:	\$198,560
Approved Developer Fee (in Project Cost & Eligible Basis):	\$673,883
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.75000

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:	\$5,166,434
Actual Eligible Basis:	\$5,166,434
Unadjusted Threshold Basis Limit:	\$11,350,664
Total Adjusted Threshold Basis Limit:	\$14,755,863

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

**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. 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:** None

**Local Reviewing Agency:**

The Local Reviewing Agency, City of Grass Valley, 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>\$198,560</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:** None