

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Project Number CA-2011-862

Project Name Gateway Terrace
Site Address: Bounded by Leshler Drive, U St. & T St., and W. 4th St. & W. 5th St.
Merced, CA 95340 County: Merced
Census Tract: 15.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$663,052	\$0
Recommended:	\$663,052	\$0

Applicant Information

Applicant: Merced Gateway Investors, LP
Contact: Christina Alley
Address: 3351 M Street, Suite 100
Merced, CA 95348
Phone: (209) 388-0782 Fax: (209) 385-3770
Email: chris@centralvalleycoalition.com

General partner(s) or principal owner(s): Central Valley Coalition for Affordable Housing
General Partner Type: Nonprofit
Developer: Central Valley Coalition for Affordable Housing
Investor/Consultant: PNC Real Estate
Management Agent: Buckingham Property Management

Project Information

Construction Type: New Construction
Total # Residential Buildings: 10
Total # of Units: 66
No. & % of Tax Credit Units: 65 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME / HUD Project-based Section 8 (85% / 55 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 10
Number of Units @ or below 50% of area median income: 33
Number of Units @ or below 60% of area median income: 22

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: October 15, 2011
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

27 2-Bedroom Units
 27 3-Bedroom Units
 12 4-Bedroom Units

 66 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>
9 2 Bedrooms	30%	28%	\$353
13 2 Bedrooms	50%	50%	\$633
4 2 Bedrooms	55%	55%	\$697
1 3 Bedrooms	24%	24%	\$353
14 3 Bedrooms	50%	50%	\$732
12 3 Bedrooms	55%	55%	\$805
6 4 Bedrooms	50%	50%	\$817
6 4 Bedrooms	55%	55%	\$899
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$15,454,287
 Estimated Residential Project Cost: \$15,454,287

Residential

Construction Cost Per Square Foot: \$135
 Per Unit Cost: \$234,156

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Rabobank	\$8,546,206	Rabobank	\$6,045,336
MHSA HP	\$1,081,600	MHSA HP	\$1,081,600
City Deferred Impact Fees	\$500,000	City of Merced HOME	\$1,500,000
City of Merced - HOME	\$1,500,000	City Deferred Impact Fees	\$500,000
Deferred Developer Fee	\$1,956,675	Deferred Developer Fee	\$94,663
Tax Credit Equity	\$1,869,806	Tax Credit Equity	\$6,232,688
		TOTAL	\$15,454,287

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,001,175
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,501,528
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$663,052
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,956,675
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	\$0.94000

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:	\$15,001,175
Actual Eligible Basis:	\$15,001,175
Unadjusted Threshold Basis Limit:	\$15,986,148
Total Adjusted Threshold Basis Limit:	\$30,011,620

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: 50%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 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: The project has HUD Section 8 project-based rental subsidy contract on an annual renewal basis on 85% of the units (55 units) and a 15-year MHSA subsidy on the other 15% of the units (10 units).

Local Reviewing Agency:

The Local Reviewing Agency, the City of Merced, 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	State Tax Credits/Total
\$663,052	\$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: None.