

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number CA-2011-872

Project Name Warner Creek Senior Housing
Site Address: 806 Diablo Avenue
Novato, CA 94947 County: Marin
Census Tract: 1032.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$791,758	\$0
Recommended:	\$791,758	\$0

Applicant Information

Applicant: Warner Creek Senior Housing, L.P.
Contact: Faye Blackman
Address: 22645 Grand Street
Hayward, CA 94541
Phone: (510) 582-1460 Fax: (510) 582-0122
Email: fblackman@edenhousing.org

General partner(s) or principal owner(s): Eden Investments, Inc.
General Partner Type: Nonprofit
Developer: Eden Development, Inc.
Investor/Consultant: Bank of America, N.A.
Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 61
No. & % of Tax Credit Units: 60 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / HOME / CDBG /
HUD Project-based Section 8 (60 units - 100%)
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 57
Number of Units @ or below 50% of area median income: 3

Bond Information

Issuer: Housing Authority of Marin
 Expected Date of Issuance: August 2011
 Credit Enhancement: Bank of America private placement

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

60 1-Bedroom Units
 1 2-Bedroom Units

 61 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>
22 1 Bedroom	20%	20%	\$403
35 1 Bedroom	35%	35%	\$705
3 1 Bedroom	50%	50%	\$1,008
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$24,322,490

Residential

Construction Cost Per Square Foot: \$172
 Per Unit Cost: \$398,729

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America - Tax Exempt Bonds	\$14,834,808	CCRC - Tax Exempt Bonds	\$4,206,000
City of Novato	\$1,504,000	HCD MHP	\$4,877,708
Marin County Community Development	\$2,436,882	City of Novato	\$1,504,000
Marin Community Foundation	\$1,000,000	Marin County Community Development	\$2,436,882
AHP	\$600,000	Marin Community Foundation	\$1,000,000
Tamalpais Pacific	\$200,000	AHP	\$600,000
Deferred Interest	\$93,530	Tamalpais Pacific	\$200,000
General Partner Equity	\$100	Deferred Interest	\$93,531
Tax Credit Equity	\$1,148,037	Deferred Developer Fee	\$599,570
		General Partner Equity	\$735,799
		Tax Credit Equity	\$8,069,000
		TOTAL	\$24,322,490

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,913,088
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$23,287,014
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$791,758
Approved Developer Fee in Project Cost:	\$2,319,870
Approved Developer Fee in Eligible Basis:	\$2,319,869
Investor/Consultant:	Bank of America, N.A.
Federal Tax Credit Factor:	\$1.01912

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:	\$17,913,088
Actual Eligible Basis:	\$17,913,088
Unadjusted Threshold Basis Limit:	\$15,059,620
Total Adjusted Threshold Basis Limit:	\$48,943,765

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 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: 5%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 190%

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, the City of Novato, 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
\$791,758	\$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