

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**March 21, 2012**

**REVISED**

**Project Number** CA-2012-815

**Project Name** North Point Apartments  
Site Address: 3428-32 Esplanade Avenue  
Chico, CA 95973 County: Butte  
Census Tract: 3.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$309,734	\$0
Recommended:	\$309,734	\$0

**Applicant Information**

Applicant: Community Action Agency of Butte County, Inc.  
Contact: Stephanie Neumann  
Address: 2255 Del Oro Avenue  
Oroville, CA 95965  
Phone: 530-990-8642 Fax: 530-533-7470  
Email: sneumann@buttecaa.com

General partner(s) or principal owner(s): Community Action Agency of Butte County, Inc.  
General Partner Type: Nonprofit  
Developer: Community Action Agency of Butte County, Inc.  
Investor/Consultant: Michel Associates Ltd  
Management Agent: Community Housing Improvement Program

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 4  
Total # of Units: 50  
No. & % of Tax Credit Units: 49 100%  
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 35% of area median income: 7  
Number of Units @ or below 60% of area median income: 42

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: June 19, 2012  
 Credit Enhancement: None

**Information**

Housing Type: Large Family  
 Geographic Area: Capital & Northern Region  
 TCAC Project Analyst: Nicola Hil

**Unit Mix**

5 1-Bedroom Units  
 19 2-Bedroom Units  
 26 3-Bedroom Units  


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 50 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	60%	56%	\$614
1 1 Bedroom	30%	30%	\$326
16 2 Bedrooms	60%	56%	\$746
2 2 Bedrooms	30%	30%	\$391
22 3 Bedrooms	60%	59%	\$903
4 3 Bedrooms	30%	30%	\$451
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$685

**Project Financing**

Estimated Total Project Cost: \$10,850,000      Construction Cost Per Square Foot: \$130  
 Per Unit Cost: \$217,000

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CSCDA Bonds - Rabobank, N.A	\$6,900,000	CSCDA Bonds - Rabobank, N.A	\$1,950,000
City Of Chico - HOME	\$450,000	City Of Chico - HOME	\$450,000
City Of Chico - RDA	\$1,431,318	City Of Chico - RDA	\$4,800,000
Deferred Costs	\$800,000	AHP - Rabobank, N.A.	\$500,000
Deferred Developer Fee	\$178,417	Construction Income - CAA Butte	\$105,473
Tax Credit Equity	\$1,090,265	Refunds - CAA Butte	\$109,477
		Deferred Developer Fee	\$178,417
		Tax Credit Equity	\$2,756,633
		<b>TOTAL</b>	<b>\$10,850,000</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$9,695,133
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$9,695,133
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$309,734
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,264,583
Investor/Consultant:	Michel Associates Ltd
Federal Tax Credit Factor:	\$0.89000

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:	\$9,695,133
Actual Eligible Basis:	\$9,695,133
Unadjusted Threshold Basis Limit:	\$12,187,800
Total Adjusted Threshold Basis Limit:	\$16,459,886

**Adjustments to Basis Limit:**

Local Development Impact Fees

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 28%

**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 3.20% 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 syndicator letter states total syndication expenses will be roughly 11.5% of gross proceeds. Per Section 10327(c)(3) of the TCAC regulations, syndication expenses cannot exceed 10% of gross proceeds in a private offering. The developer is advised that the total syndication expenses must be in compliance with TCAC regulatory requirements by placed in service.

**Local Reviewing Agency:**

The Local Reviewing Agency, City of Chico 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**  
**\$309,734**

**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 the following service amenities 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:

- Educational classes

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 TCAC placed-in-service application is submitted:

The project commits to A. Green Point Rated Multifamily Guidelines, B. 17.5% better than the current standards, C. Green Point Rated 125.