

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2012 First Round

July 11, 2012

Project Number CA-12-832

Project Name Fargo Senior Center
Site Address: 868 Fargo Avenue
San Leandro, CA 94579 County: Alameda
Census Tract: 4336.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$645,414	\$2,621,993
Recommended:	\$645,414	\$2,621,993

Applicant Information

Applicant: Fargo Senior Center, LP
Contact: Eden Negash
Address: 303 Hegenberger Road, Suite 201
Oakland, CA 94621
Phone: (510)746-4121 **Fax:** (510)632-6712
Email: enegash@cchnc.org

General partner(s) or principal owner(s): Fargo Senior Center Housing, LLC
N/A
General Partner Type: Nonprofit
Developer: Christian Church Homes
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Christian Church Homes of Northern California

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 75
No. & % of Tax Credit Units: 73 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / Project Based Section 8 (29 units - 40%)
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 8 10 %
45% AMI: 22 30 %
50% AMI: 29 35 %

Affordability Breakdown by % (Basis Limit Increase):
Number of Units @ or below 35% of area median income: 8
Number of Units @ or below 50% of area median income: 51
Number of Units @ or below 60% of area median income: 14

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 08/01/12
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: At-Risk
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Nicola Hil

Unit Mix

45 SRO/Studio Units
 28 1-Bedroom Units
 2 2-Bedroom Units

 75 Total Units

<u>Unit Type & 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>
5 SRO/Studio	30%	30%	\$491
15 SRO/Studio	45%	30%	\$491
2 SRO/Studio	50%	30%	\$491
15 SRO/Studio	50%	35%	\$573
1 SRO/Studio	50%	35%	\$573
1 SRO/Studio	60%	35%	\$573
6 SRO/Studio	60%	50%	\$818
3 1 Bedroom	30%	30%	\$525
7 1 Bedroom	45%	30%	\$525
6 1 Bedroom	50%	30%	\$525
5 1 Bedroom	50%	35%	\$613
3 1 Bedroom	60%	35%	\$613
4 1 Bedroom	60%	50%	\$876
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$22,240,915 Construction Cost Per Square Foot: \$211
 Per Unit Cost: \$296,546

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
JP Morgan Chase Bank CDB	\$13,799,000	Seller Carryback Loan	\$5,565,293
Seller Carryback Loan	\$5,565,293	AHP	\$750,000
Existing Project Reserves	\$365,293	Existing Project Reserves	\$365,293
Accrued/Deferred Construction Interest	\$274,023	HCD Multifamily Housing Program	\$5,205,466
Deferred Developer Fee	\$1,382,500	Income from Operations	\$65,000
Tax Credit Equity	\$327,167	Accrued/Deferred Construction Interest	\$274,023
		Deferred Developer Fee	\$1,382,500
		Tax Credit Equity	\$8,633,340
		TOTAL	\$22,240,915

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$14,198,440
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,970,741
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$14,198,440
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$5,970,741
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$454,350
Maximum Annual Federal Credit, Acquisition:	\$191,064
Total Maximum Annual Federal Credit:	\$645,414
Total State Credit:	\$2,621,993
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.05000
State Tax Credit Factor:	\$0.70805

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:	\$20,169,181
Actual Eligible Basis:	\$20,169,181
Unadjusted Threshold Basis Limit:	\$16,947,754
Total Adjusted Threshold Basis Limit:	\$32,031,255

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: 69%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

Tie-Breaker Information

Final: N/A

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: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$645,414

State Tax Credits/Total
\$2,621,993

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 a performance deposit and reservation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	13	13
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
Sustainable Building Methods	10	9	9
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 15%	3	3	3
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
Additional rehab measures: Individually metered utilities per TCAC	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	10
Total Points	126	123	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.