

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-863

Project Name Round Walk Village Rehab
 Site Address: 745 N. McDowell Blvd
 Petaluma, CA 94954 County: Sonoma
 Census Tract: 1506.090

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$707,511	\$1,297,216
Recommended:	\$707,511	\$1,297,216

Applicant Information

Applicant: Round Walk Village Partners 2, LP
 Contact: Tom Kuhn
 Address: 790 Sonoma Ave.
 Santa Rosa, CA 95404
 Phone: 707-303-1083 Fax: 707-526-9811
 Email: tkuhn@burbankhousing.org

General partner(s) or principal owner(s): Round Walk Village LLC
 General Partner Type: Nonprofit
 Developer: Burbank Housing Development Corp.
 Investor/Consultant: Community Economics
 Management Agent: Burbank Housing Management Corp.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 63
 Total # of Units: 129
 No. & % of Tax Credit Units: 127 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 22 15 %
 40% AMI: 36 25 %
 50% AMI: 40 30 %

Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 22
 Number of Units @ or below 50% of area median income: 76
 Number of Units @ or below 60% of area median income: 29

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 12/01/12
 Credit Enhancement: None

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

26 1-Bedroom Units
 50 2-Bedroom Units
 47 3-Bedroom Units
 6 4-Bedroom Units

 129 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>
3 1 Bedroom	30%	30%	\$465
2 1 Bedroom	30%	30%	\$465
9 2 Bedrooms	30%	30%	\$558
7 3 Bedrooms	30%	30%	\$644
1 4 Bedrooms	30%	30%	\$719
6 1 Bedroom	40%	40%	\$620
1 1 Bedroom	40%	40%	\$620
13 2 Bedrooms	40%	40%	\$744
1 2 Bedrooms	40%	40%	\$744
10 3 Bedrooms	40%	40%	\$859
3 3 Bedrooms	40%	40%	\$859
2 4 Bedrooms	40%	40%	\$959
6 1 Bedroom	50%	50%	\$775
2 1 Bedroom	50%	50%	\$775
12 2 Bedrooms	50%	50%	\$930
4 2 Bedrooms	50%	50%	\$930
12 3 Bedrooms	50%	50%	\$1,074
3 3 Bedrooms	50%	50%	\$1,074
1 4 Bedrooms	50%	50%	\$1,198
6 1 Bedroom	60%	60%	\$930
10 2 Bedrooms	60%	60%	\$1,116
1 2 Bedrooms	60%	60%	\$1,116
9 3 Bedrooms	60%	60%	\$1,289
2 3 Bedrooms	60%	60%	\$1,289
1 4 Bedrooms	60%	60%	\$1,438
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$23,481,772
Estimated Residential Project Cost:	\$23,481,772

Construction Financing

Source	Amount
Citibank (Construction Only)	\$8,315,000
Citibank (Construction and Perm)	\$4,185,000
City of Petaluma	\$1,740,910
Seller Take-back	\$8,223,012

Residential

Construction Cost Per Square Foot:	\$53
Per Unit Cost:	\$182,029

Permanent Financing

Source	Amount
Citibank	\$4,185,000
City of Petaluma	\$1,740,910
Seller Take-Back	\$8,223,012
Income From Operations	\$122,259
Equity from Energy Credits	\$106,900
General Partner Equity	\$789,478
Tax Credit Equity	\$8,314,213
TOTAL	\$23,481,772

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,978,588
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$12,131,123
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,978,588
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$12,131,123
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$319,315
Maximum Annual Federal Credit, Acquisition:	\$388,196
Total Maximum Annual Federal Credit:	\$707,511
Total State Credit:	\$1,297,216
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,886,199
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.05000
State Tax Credit Factor:	\$0.68250

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: \$22,109,711
Actual Eligible Basis: \$22,109,711
Unadjusted Threshold Basis Limit: \$40,622,184
Total Adjusted Threshold Basis Limit: \$78,400,815

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: 59%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 34%

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, City of Petaluma, 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
\$707,511	\$1,297,216

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	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 4 hours/week	2	2	2
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: PV generation that offsets either 50% of	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	20
Total Points	126	126	126

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.