

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 14, 2012

Project Number CA-12-892

Project Name Sonoma Creekside Apartments
Site Address: 2-110 Boas Drive and 5174-5206 Santa Rosa Creek Drive
Santa Rosa, CA 95409 County: Sonoma
Census Tract: 1525.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$303,889	\$0
Recommended:	\$303,889	\$0

Applicant Information

Applicant: EAH, Inc.
Contact: Matthew Steinle
Address: 2169 E. Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: 415-295-8821 Fax: 415-453-3683
Email: matt.steinle@eahhousing.org

General partner(s) or principal owner(s):	Sonoma Creekside EAH LLC
General Partner Type:	Nonprofit
Developer:	EAH, Inc.
Investor/Consultant:	Community Economics, Inc.
Management Agent:	EAH Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 8
Total # of Units: 43
No. & % of Tax Credit Units: 42 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (21 units / 50%) /
HOME / CDBG
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 13
Number of Units @ or below 60% of area median income: 29

Bond Information

Issuer: City of Santa Rosa
 Expected Date of Issuance: February 10, 2013
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Osorio

Unit Mix

22 2-Bedroom Units
 21 3-Bedroom Units

 43 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 2 Bedrooms	50%	50%	\$930
5 2 Bedrooms	60%	60%	\$1,116
2 2 Bedrooms	50%	50%	\$929
10 2 Bedrooms	60%	60%	\$1,115
4 3 Bedrooms	50%	50%	\$1,074
7 3 Bedrooms	60%	60%	\$1,289
2 3 Bedrooms	50%	50%	\$1,074
7 3 Bedrooms	60%	60%	\$1,289
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$10,787,576
Estimated Residential Project Cost:	\$10,787,576

Residential

Construction Cost Per Square Foot:	\$49
Per Unit Cost:	\$250,874

Construction Financing

Source	Amount
JPMorgan Chase	\$5,600,000
City of Santa Rosa Housing Authority	\$1,171,418
Seller Take-Back	\$2,732,434
Seller Cash Loan	\$212,617
Tax Credit Equity	\$500,000

Permanent Financing

Source	Amount
JPMorgan Chase - TCAC Rents	\$2,336,880
JPMorgan Chase - Section 8 Increment	\$1,078,879
City of Santa Rosa Housing Authority	\$1,171,418
Seller Take-Back	\$2,732,434
Seller Cash Loan	\$212,617
General Partner Capital	\$306
Income from Operations During Const.	\$275,032
Tax Credit Equity	\$2,980,010
TOTAL	\$10,787,576

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,036,552
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,459,983
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,036,552
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$5,459,983
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$129,170
Maximum Annual Federal Credit, Acquisition:	\$174,719
Total Maximum Annual Federal Credit:	\$303,889
Approved Developer Fee (in Project Cost & Eligible Basis):	\$786,506
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.98062

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:	\$9,496,535
Actual Eligible Basis:	\$9,496,535
Unadjusted Threshold Basis Limit:	\$14,155,648
Total Adjusted Threshold Basis Limit:	\$18,402,342

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: 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 3.20% 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:

All units are individually metered for water/sewer and tenants are billed directly by the city for usage. The water/sewer meters are located outside of each unit entry on the walk-ways that approach the units.

Local Reviewing Agency:

The Local Reviewing Agency, City of Santa Rosa, 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
\$303,889	\$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 a 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.

Additional Conditions: None