

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 23, 2013

Project Number CA-13-801

Project Name Bethlehem Tower
 Site Address: 801 Tupper Street
 Santa Rosa, CA 95404 County: Sonoma
 Census Tract: 1519.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$721,944	\$0
Recommended:	\$721,944	\$0

Applicant Information

Applicant: Bethlehem Tower Affordable, L.P.
 Contact: Sean Burrowes
 Address: 8105 Irvine Center Drive, Suite 830
 Irvine, CA 92618
 Phone: 949-753-0555 Fax: 949-753-7590
 Email: sburrowes@reinercommunities.com

General partner(s) or principal owner(s): Bethlehem Tower AGP, L.P.
 Las Palmas Housing and Development Corporation
 General Partner Type: Joint Venture
 Developer: Reiner Communities
 Investor/Consultant: Union Bank
 Management Agent: TerraCorp Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 159
 No. & % of Tax Credit Units: 158 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project Based Section 8 Contract (101 units 64%) /
 HUD Project Based Section 8 Vouchers (25 units / 15%) / HUD Tenant
 Based Section 8 Vouchers (32 units / 20%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 33
 Number of Units @ or below 60% of area median income: 125

Bond Information

Issuer: City of Santa Rosa
 Date of Issuance: December 12, 2012
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Osorio

Unit Mix

107 SRO/Studio Units
 51 1-Bedroom Units
 1 2-Bedroom Units

 159 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>
22 SRO/Studio	50%	50%	\$723
11 1 Bedroom	50%	50%	\$775
85 SRO/Studio	60%	56%	\$815
40 1 Bedroom	60%	60%	\$930
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$25,234,980
 Estimated Residential Project Cost: \$25,234,980

Construction Financing

<u>Source</u>	<u>Amount</u>
Santa Rosa Tax-Exempt Bonds	\$15,000,000
Seller Carry Note	\$1,200,000
Deferred Developer Fee	\$1,454,538
Tax Credit Equity	\$6,632,887

Residential

Construction Cost Per Square Foot: \$77
 Per Unit Cost: \$158,711

Permanent Financing

<u>Source</u>	<u>Amount</u>
Santa Rosa Tax-Exempt Bonds	\$15,000,000
Seller Carry Note	\$1,200,000
Deferred Developer Fee	\$1,454,538
Tax Credit Equity	\$7,580,442
TOTAL	\$25,234,980

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,408,053
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$15,155,071
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,408,053
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$15,155,071
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$236,523
Maximum Annual Federal Credit, Acquisition:	\$484,962
Total Maximum Annual Federal Credit:	\$721,944
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$1.05000

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:	\$22,563,124
Actual Eligible Basis:	\$22,563,124
Unadjusted Threshold Basis Limit:	\$34,813,332
Total Adjusted Threshold Basis Limit:	\$41,775,998

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: 20%

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:

This property operates as a master metered project where the owner pays for all utilities (excluding discretionary items such as cable, internet, and telephone.

Local Reviewing Agency:

The Local Reviewing Agency, City of Santa Rosa - EDH, 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
\$721,944	\$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