

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 13, 2013

Project Number CA-13-828

Project Name St. John's Apartments
Site Address: 121 W. MacDonald Ave.
Richmond, CA 94801 County: Contra Costa
Census Tract: 3770.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,075,468	\$0
Recommended:	\$1,075,468	\$0

Applicant Information

Applicant: St. John's Partners, LP
Contact: Sara A. Fay
Address: 1700 Seventh Ave., Suite 2000
Seattle, WA 98101
Phone: 206-832-1309 Fax: 206-832-1309
Email: sara.fay@vitusgroup.com

General partner(s) or principal owner(s): St. John's Management, LLC
AOF/Pacific Affordable Housing Corp.
General Partner Type: Joint Venture
Developer: St. John's Partners, LP
Investor/Consultant: City Real Estate Advisors, Inc.
Management Agent: Evans Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 31
Total # of Units: 158
No. & % of Tax Credit Units: 156 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project-Based Section 8 Contract (156 Units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 139

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: March 30, 2013
 Credit Enhancement: PNC Multifamily Capital/Fannie Mae

Information

Housing Type: Large Family
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

16 SRO/Studio Units
 32 1-Bedroom Units
 38 2-Bedroom Units
72 3-Bedroom Units
 158 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	50%	47%	\$772
14 SRO/Studio	60%	47%	\$772
3 1 Bedroom	50%	50%	\$877
27 1 Bedroom	60%	60%	\$1,052
4 2 Bedrooms	50%	50%	\$1,052
34 2 Bedrooms	60%	60%	\$1,262
8 3 Bedrooms	50%	50%	\$1,216
64 3 Bedrooms	60%	60%	\$1,458
2 1 Bedroom	Manager's Unit	Manager's Unit	\$1,038

Project Financing

Estimated Total Project Cost: \$33,847,586
 Estimated Residential Project Cost: \$33,847,586

Residential

Construction Cost Per Square Foot: \$59
 Per Unit Cost: \$214,225

Construction Financing

<u>Source</u>	<u>Amount</u>
PNC/Fannie Mae	\$22,658,000
Construction Period Rental Income	\$328,493
Deferred Developer Fee	\$321,507

Permanent Financing

<u>Source</u>	<u>Amount</u>
PNC/Fannie Mae	\$22,658,000
Construction Period Rental Income	\$328,493
Deferred Developer Fee	\$321,507
Tax Credit Equity	\$10,539,586
TOTAL	\$33,847,586

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,865,870
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$18,214,278
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$15,425,631
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$18,214,278
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$492,612
Maximum Annual Federal Credit, Acquisition:	\$582,856
Total Maximum Annual Federal Credit:	\$1,075,468
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.98000

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:	\$30,080,148
Actual Eligible Basis:	\$30,080,148
Unadjusted Threshold Basis Limit:	\$48,170,208
Total Adjusted Threshold Basis Limit:	\$52,987,229

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: 10%

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.

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	State Tax Credits/Total
\$1,075,468	\$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.