

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 21, 2013

Project Number CA-13-858

Project Name Gabilan Plaza
 Site Address: 730 & 736 Williams Road
 Salinas, CA 93905 County: Monterey
 Census Tract: 60530106.060

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,258,760	\$0
Recommended:	\$1,258,760	\$0

Applicant Information

Applicant: Gabilan Admin, Inc.
 Contact: Matt Locati
 Address: 1043 Stuart Street, Suite 220
 Lafayette, CA 94549
 Phone: 925-284-6464 Fax: 925-284-2313
 Email: ml@terracorpinc.com

General Partner(s) or Principal Owner(s): Gabilan III Housing Sponsorship LLC
 Gabilan Admin, Inc.
 General Partner Type: For Profit
 Parent Company(ies): United Brotherhood of Carpenters and Joiners
 Local 925 Housing Sponsorship Corporation
 Solely Owned by Matt Locati
 Developer: Terrex Development Corp.
 Investor/Consultant: Baker Tilly Virchow Krause, LLP
 Management Agent: TerraCorp Financial, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 26
 Total # of Units: 200
 No. & % of Tax Credit Units: 197 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD 221(d)(4)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 20
 Number of Units @ or below 60% of area median income: 177

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 30, 2013
 Credit Enhancement: Walker & Dunlop

Information

Housing Type: Non-Targeted
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Marisol Parks

Unit Mix

36 1-Bedroom Units
 74 2-Bedroom Units
90 3-Bedroom Units
 200 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median</u>	<u>2013 Rents Actual % of Area Median</u>	<u>Proposed Rent (including</u>
16 1 Bedroom	60%	60%	\$803
2 1 Bedroom	50%	50%	\$669
33 2 Bedrooms	60%	60%	\$963
4 2 Bedrooms	50%	50%	\$802
17 3 Bedrooms	60%	60%	\$1,113
2 3 Bedrooms	50%	50%	\$927
22 3 Bedrooms	60%	60%	\$1,113
2 3 Bedrooms	50%	50%	\$927
16 1 Bedroom	60%	60%	\$803
2 1 Bedroom	50%	50%	\$669
32 2 Bedrooms	60%	60%	\$963
4 2 Bedrooms	50%	50%	\$802
19 3 Bedrooms	60%	60%	\$1,113
2 3 Bedrooms	50%	50%	\$927
22 3 Bedrooms	60%	60%	\$1,113
2 3 Bedrooms	50%	50%	\$927
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$42,926,514
Estimated Residential Project Cost:	\$42,926,514

Residential

Construction Cost Per Square Foot:	\$42
Per Unit Cost:	\$214,633

Construction Financing

Source	Amount
CitiBank Community Lending	\$21,150,000
Walker & Dunlop - HUD 221(d)(4)	\$15,900,000
Seller Carry Back Note	\$13,447,120
Operating Income	\$693,190
Transferred Reserves	\$221,900
GP Equity	\$100
Tax Credit Equity	\$5,065,682

Permanent Financing

Source	Amount
Walker & Dunlop - HUD 221(d)(4)	\$15,900,000
Seller Carry Back Note	\$13,447,120
Operating Income	\$693,190
Transferred Reserves	\$221,900
GP Equity	\$100
Energy Credit Equity	\$202,480
Tax Credit Equity	\$12,461,724
TOTAL	\$42,926,514

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,067,589
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$22,710,858
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$16,987,866
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$22,710,858
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$532,013
Maximum Annual Federal Credit, Acquisition:	\$726,747
Total Maximum Annual Federal Credit:	\$1,258,760
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Baker Tilly Virchow Krause, LLP
Federal Tax Credit Factor:	\$0.99000

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:	\$35,778,447
Actual Eligible Basis:	\$35,778,447
Unadjusted Threshold Basis Limit:	\$55,900,036
Total Adjusted Threshold Basis Limit	\$72,670,047

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.

Local Reviewing Agency:

The Local Reviewing Agency, City of Salinas, 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
\$1,258,760	\$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