

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 11, 2014

Project Number CA-14-818

Project Name Stoneman Village
 Site Address: 390 E. Leland Road
 Pittsburg, CA 94565 County: Contra Costa
 Census Tract: 3131.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$752,402	\$0
Recommended:	\$752,402	\$0

Applicant Information

Applicant: Stoneman Village, L.P.
 Contact: Karen Bodiford
 Address: 390 E. Leland Road
 Pittsburg, CA 94565
 Phone: (925) 427-1870 Fax: (925) 432-7209
 Email: kbstoneman@sbcglobal.net

General Partner(s) or Principal Owner(s): Leland Road LLC
 PSHRCSI¹
 Pacific Community Services Inc.

General Partner Type: Joint Venture

Parent Company(ies): PSHRCSI¹
 PSHRCSI¹
 Pacific Community Services Inc.

Developer: PSHRCSI¹

Investor/Consultant: Merritt Community Capital

Management Agent: PSHRCSI¹

¹Pittsburg Senior & Handicapped Residential Community Services Inc.

Project Information

Construction Type: Acquisition and Rehabilitation

Total # Residential Buildings: 1

Total # of Units: 145

No. & % of Tax Credit Units: 143 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax Exempt / HUD Section 8 Project-Based Contract (143 units - 100%)

HCD MHP Funding: No

55-Year Use/Affordability: Yes

Number of Units @ or below 50% of area median income: 58

Number of Units @ or below 60% of area median income: 85

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: August 1, 2014
 Credit Enhancement: FHA/HUD 223(f)

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

145 1-Bedroom Units
 145 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
58 1 Bedroom	50%	48%	\$836
85 1 Bedroom	60%	58%	\$1,000
2 1 Bedroom	Manager's Unit	Manager's Unit	\$1,000

Project Financing

Estimated Total Project Cost: \$29,982,706
 Estimated Residential Project Cost: \$29,946,672
 Estimated Commercial Project Cost \$36,034

Construction Financing

<u>Source</u>	<u>Amount</u>
Red Capital - HUD 223(f)	\$14,500,000
Seller Carryback Loan (Conventional)	\$1,500,000
Seller Carryback Loan (Residual)	\$7,800,234
Land Value	\$2,430,000
GP Equity	\$100
Deferred Developer Fee	\$2,394,578
Tax Credit Equity	\$1,357,794

Residential

Construction Cost Per Square Foot: \$37
 Per Unit Cost: \$206,529

Permanent Financing

<u>Source</u>	<u>Amount</u>
Red Capital - HUD 223(f)	\$9,760,000
Seller Carryback Loan(Conventional)	\$1,500,000
Seller Carryback Loan (Residual)	\$7,800,234
Land Value	\$2,430,000
Project Reserves	\$1,150,000
GP Equity	\$100
Tax Credit Equity	\$7,342,372
TOTAL	\$29,982,706

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,546,929
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$16,309,043
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,546,929
Qualified Basis (Acquisition):	\$16,309,043
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$204,419
Maximum Annual Federal Credit, Acquisition:	\$547,983
Total Maximum Annual Federal Credit:	\$752,402
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,735,000
Investor/Consultant:	Merritt Community Capital
Federal Tax Credit Factor:	\$0.97586

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:	\$24,855,972
Actual Eligible Basis:	\$24,855,972
Unadjusted Threshold Basis Limit:	\$33,945,950
Total Adjusted Threshold Basis Limit:	\$47,524,330

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: 40%

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 exceeds 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: Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. The required TCAC training for the general partner and management company must be completed and the certification of completion must be received by TCAC prior to the project's placing in service.

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
\$752,402	\$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: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site