

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
November 12, 2014**

Project Number CA-14-877

Project Name Tuolumne Apartments
Site Address: 18400 Tuolumne Road
Tuolumne, CA 95379 County: Tuolumne
Census Tract: 32.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$202,072	\$0
Recommended:	\$202,072	\$0

Applicant Information

Applicant: Tuolumne Road Partners, LP, a California limited partnership
Contact: Michael Boettger
Address: 2020 W. Kettleman Lane
Lodi, CA 95242
Phone: 209-370-1559 **Fax:** 209-334-5387
Email: mboettger@themichaelsorg.com

General Partner(s) or Principal Owner(s): Community Revitalization and Development Corporation
Tuolumne-Michaels, LLC

General Partner Type: Joint Venture

Parent Company(ies): Community Revitalization and Development Corporation
The Michaels Development Company

Developer: The Michaels Development Company

Investor/Consultant: Prestige Affordable Housing Equity Partners, LLC

Management Agent: Interstate Realty Management

Project Information

Construction Type: Acquisition & Rehabilitation

Total # Residential Buildings: 4

Total # of Units: 52

No. & % of Tax Credit Units: 51 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HOME /
HUD Section 8 Project-Based Contract (51 units - 100%)

HCD MHP Funding: No

55-Year Use/Affordability: Yes

Number of Units @ or below 50% of area median income: 46

Number of Units @ or below 60% of area median income: 5

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: February 1, 2015
 Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

24 1-Bedroom Units
 28 2-Bedroom Units

 52 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>
23 1 Bedroom	50%	50%	\$591
1 1 Bedroom	60%	60%	\$710
23 2 Bedrooms	50%	50%	\$710
4 2 Bedrooms	60%	60%	\$852
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$7,124,265
 Estimated Residential Project Cost: \$7,124,265

Residential

Construction Cost Per Square Foot: \$77
 Per Unit Cost: \$137,005

Construction Financing

<u>Source</u>	<u>Amount</u>
Rabobank	\$5,930,000
Existing Reserves	\$185,000
Deferred Developer Fee	\$463,669
Tax Credit Equity	\$545,596

Permanent Financing

<u>Source</u>	<u>Amount</u>
Rabobank	\$1,785,984
County of Tuolumne - HOME	\$3,334,629
Existing Reserves	\$185,000
Tax Credit Equity	\$1,818,652
TOTAL	\$7,124,265

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,599,718
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,414,350
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,599,718
Qualified Basis (Acquisition):	\$1,414,350
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$154,550
Maximum Annual Federal Credit, Acquisition:	\$47,522
Total Maximum Annual Federal Credit:	\$202,072
Approved Developer Fee (in Project Cost & Eligible Basis):	\$667,313
Investor/Consultant:	Prestige Affordable Housing Equity Partners, LLC
Federal Tax Credit Factor:	\$0.90000

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:	\$6,014,068
Actual Eligible Basis:	\$6,014,068
Unadjusted Threshold Basis Limit:	\$12,491,272
Total Adjusted Threshold Basis Limit:	\$26,232,634

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 90%

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 3.36% 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
\$202,072	\$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 for a minimum of 84 hours per year

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 30% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.