

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 18, 2015
REVISED**

Project Number CA-15-814

Project Name Madrone Apartments
Site Address: 712 Sycamore Lane
Petaluma, CA 94952 County: Sonoma
Census Tract: 1509.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$206,293	\$0
Recommended:	\$206,293	\$0

Applicant Information

Applicant: Burbank Housing Development Corporation
Contact: Pascal Sisich
Address: 790 Sonoma Avenue
Santa Rosa, CA 95404
Phone: 707-303-3465 **Fax:** 707-526-9811
Email: psisich@burbankhousing.org

General Partner(s) or Principal Owner(s): Burbank Housing Development Corporation
General Partner Type: Nonprofit
Parent Company(ies): Burbank Housing Development Corporation
Developer: Burbank Housing Development Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Burbank Housing Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 7
Total # of Units: 23
No. & % of Tax Credit Units: 22 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 3
Number of Units @ or below 60% of area median income: 19

Bond Information

Issuer: CMFA
 Expected Date of Issuance: July 1, 2015
 Credit Enhancement: None

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Daniel Tran

Unit Mix

16 2-Bedroom Units
 7 3-Bedroom Units

 23 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>
2 2 Bedrooms	50%	50%	\$866
1 3 Bedrooms	50%	50%	\$1,000
13 2 Bedrooms	60%	60%	\$1,039
6 3 Bedrooms	60%	60%	\$1,200
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$6,033,548
 Estimated Residential Project Cost: \$6,033,548

Residential

Construction Cost Per Square Foot: \$88
 Per Unit Cost: \$262,328

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank Construction Loan	\$4,216,000
Seller Carryback Loan	\$1,016,803
Accrued/Deferred Interest	\$34,876
Assumed City of Petaluma Loan	\$351,615
Accrued/Deferred Interest	\$12,060
Existing Project Reserves	\$15,896
Tax Credit Equity	\$19,677

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank Permanent Loan	\$596,000
Seller Carryback Loan	\$1,016,803
Accrued/Deferred Interest	\$34,876
Assumed City of Petaluma Loan	\$351,615
Accrued/Deferred Interest	\$12,060
New City of Petaluma Loan	\$150,000
Citibank Subordinate Loan	\$575,000
General Partner Loan	\$500,000
Existing Project Reserves	\$15,896
Income From Operations	\$34,237
General Partner Equity	\$693,015
Tax Credit Equity	\$2,054,046
TOTAL	\$6,033,548

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,121,412
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,193,448
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,057,836
Qualified Basis (Acquisition):	\$2,193,448
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$133,909
Maximum Annual Federal Credit, Acquisition:	\$72,384
Total Maximum Annual Federal Credit:	\$206,293
Approved Developer Fee (in Project Cost & Eligible Basis):	\$693,015
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99569

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:	\$5,314,860
Actual Eligible Basis:	\$5,314,860
Unadjusted Threshold Basis Limit:	\$6,928,896
Total Adjusted Threshold Basis Limit:	\$7,829,652

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: 13%

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 3.30% 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, City of Petaluma, 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
\$206,293	\$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.

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 25% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.