

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Project Number CA-15-815

Project Name Park Lane Apartments
Site Address: 109 Magnolia Avenue
Petaluma, CA 94952 County: Sonoma
Census Tract: 1509.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$930,908	\$0
Recommended:	\$930,908	\$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: 14
Total # of Units: 90
No. & % of Tax Credit Units: 89 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (87 Units / 98%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 18
Number of Units @ or below 60% of area median income: 71

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: July 1, 2015
Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

16 SRO/Studio Units
 41 1-Bedroom Units
 33 2-Bedroom Units

 90 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>
4 SRO/Studio	50%	50%	\$673
8 1 Bedroom	50%	50%	\$721
6 2 Bedrooms	50%	50%	\$866
12 SRO/Studio	60%	60%	\$808
33 1 Bedroom	60%	60%	\$865
24 2 Bedrooms	60%	60%	\$1,039
2 2 Bedrooms	60%	60%	\$1,039
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,725

Project Financing

Estimated Total Project Cost:	\$27,915,650
Estimated Residential Project Cost:	\$27,915,650

Residential

Construction Cost Per Square Foot:	\$108
Per Unit Cost:	\$310,174

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank Tax-Exempt Construction Loan	\$15,803,000
Seller Carryback Loan	\$8,384,442
Accrued/Deferred Interest	\$287,586
Existing Project Reserves	\$926,468
Tax Credit Equity	\$841,883

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bond Loan	\$8,431,000
Seller Carryback Loan	\$8,384,442
Accrued/Deferred Interest	\$287,586
Existing Project Reserves	\$926,468
Income from Operations	\$343,228
Tax Credit Equity	\$9,542,926
TOTAL	\$27,915,650

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,133,189
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,736,183
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$14,473,146
Qualified Basis (Acquisition):	\$13,736,183
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$477,614
Maximum Annual Federal Credit, Acquisition:	\$453,294
Total Maximum Annual Federal Credit:	\$930,908
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.02512

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:	\$24,869,372
Actual Eligible Basis:	\$24,869,372
Unadjusted Threshold Basis Limit:	\$21,789,634
Total Adjusted Threshold Basis Limit:	\$26,147,561

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: 20%

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: The project has an existing HUD Section 8 project-based contract on 87 of the project's 89 affordable units.

Local Reviewing Agency:

The Local Reviewing Agency, the 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
\$930,908

State Tax Credits/Total
\$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 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.