

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 26, 2008**

**Project Number** CA-2008-807

**Project Name** Villa Springs  
**Address:** 22318-22330 South Garden Avenue  
Hayward, CA 94541 County: Alameda

**Applicant Information**

**Applicant:** Villa Springs Apartments, L.P.  
**Contact** Barbara Sanders  
**Address:** 409 Jackson Street  
Hayward, CA 94544  
**Phone:** (510) 261-9509 **Fax:** (510) 582-6523  
**Sponsors Type:** Nonprofit

**Bond Information**

**Issuer:** CalHFA  
**Expected Date of Issuance:** April 2008  
**Credit Enhancement:** N/A

**Eligible Basis**

**Actual:** \$8,713,366  
**Requested:** \$8,713,366  
**Maximum Permitted:** \$24,323,810

**Extra Feature Adjustments:**  
**Required to Pay Prevailing Wages:** 20%  
**55-Year Use/Rent Restriction Adjustment:** 120%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$361,048	\$0
Recommended:	\$361,048	\$0

**Project Information**

**Construction Type:** Acquisition and Rehabilitation  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** Yes  
**Total # of Units:** 66  
**Total # Residential Buildings:** 6

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 65 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 21  
**Number of Units @ or below 60% of area median income:** 44

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 One-Bedroom	44%	\$683
19 Two-Bedroom	44%	\$824
42 Two-Bedroom	44%	\$824
1 Three-Bedroom	44%	\$955
2 Three-Bedroom	44%	\$955
1 Two-Bedroom	Manager's Unit	\$0

The general partner or principal owner is Villa Springs, LLC.

The project developer is Villa Springs Apartments, L.P.

The management services will be provided by Eden Housing Management, Inc.

The market analysis was provided by Vernazza Wolfe Associates, Inc.

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.

**Project Financing**

Estimated Total Project Cost: \$10,078,689 Per Unit Cost: \$152,707 Construction Cost Per Sq. Foot: \$59

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CalHFA – Tax Exempt Bonds	\$5,700,000	CalHFA – Tax Exempt Bonds	\$3,100,000
HCD	\$338,868	HCD	\$338,868
Alameda County	\$48,775	Alameda County	\$48,775
City of Hayward	\$250,000	City of Hayward	\$250,000
Eden Housing, Inc.	\$1,822,332	Eden Housing, Inc.	\$1,822,332
CalHFA	\$500,000	CalHFA	\$500,000
Accrued interest during construction	\$7,160	Accrued interest during construction	\$7,160
Cash from reserves	\$128,559	Cash from reserves	\$128,559
Income from operations	\$147,032	Income from operations	\$147,032
Investor Equity	\$50,000	GP Equity	\$286,963
		Investor Equity	\$3,449,000
		<b>TOTAL</b>	<b>\$10,078,689</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$4,385,791
Requested Acquisition Eligible Basis:	\$4,327,575
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,701,528
Qualified Acquisition Basis:	\$4,327,575
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$205,255
Maximum Annual Federal Acquisition Credit:	\$155,793
Total Maximum Annual Federal Credit:	\$361,048
Approved Developer Fee:	\$778,135
Tax Credit Factor:	\$0.95527

Applicant requests and staff recommends annual federal credits of \$361,048, based on a qualified rehabilitation basis of \$5,701,528, a qualified acquisition basis of \$4,327,575, and a funding shortfall of \$3,449,000.

**Cost Analysis and Line Item Review**

The requested eligible basis \$8,713,366 is below TCAC's adjusted threshold basis limit \$24,323,810. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units and projects that are required to pay state or federal prevailing wages. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** 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.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
<b>\$361,048</b>	<b>\$0</b>

**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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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

Project Analyst: Anthony Zeto