CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 20, 2008

Project Number CA-2008-848

Project Name Rohlffs Manor III
Address: 2400 Fair Drive and 2435 Sutherland Drive
Napa, CA 94558 County: Napa

Applicant Information
Applicant: EAH, Inc.
Contact Lynn Berard
Address: 2169 E. Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: (415) 295-8825 Fax: (415) 453-3683
Sponsors Type: Nonprofit

Bond Information
Issuer: California Municipal Finance Authority
Expected Date of Issuance: June 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $12,082,840
Requested: $12,082,840
Maximum Permitted: $69,338,912

Extra Feature Adjustments:
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 57% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$485,613	$0
Recommended:	$485,613	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 209
Total # Residential Buildings: 17

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 207 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 120
Number of Units @ or below 60% of area median income: 87

Unit Type & Number		2008 Rents % of Area Median Income	Proposed Rent (including utilities)
31	Studio	33%	$459
20	Studio	35%	$483
11	Studio	42%	$572
36	Studio	45%	$613
3	One-Bedroom	48%	$708
66	One-Bedroom	50%	$746
1	One-Bedroom	57%	$839
39	One-Bedroom	60%	$890
1	Studio	Manager's Unit	$572
1	One-Bedroom	Manager's Unit	$839

The general partner or principal owner is EAH Bay Area Community, LLC.

The project developer is EAH Inc.

The management services will be provided by EAH Inc.

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

The Local Reviewing Agency, the City of Napa, has completed a site review of this project and strongly supports this project.

Project Financing
Estimated Total Project Cost: $14,454,175
Est. Residential Project Cost: $14,385,678 Per Unit Cost: $68,831 Construction Cost Per Sq. Foot: $24
Est. Commercial Project Cost: $68,497

Construction Financing Source	Amount	Permanent Financing Source	Amount
Union Bank - Tax Exempt	$6,740,000	Union Bank – Tax Exempt	$5,256,800
HCD-RHCP	$1,152,270	HCD-RHCP	$1,152,270
Seller Loan	$3,532,730	Seller Loan	$3,532,730
Income from Operations	$317,928	Income from Operations	$317,928
		GP Equity	$432
		Investor Equity	$4,194,015
		TOTAL	**$14,454,175**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$4,688,012
Requested Acquisition Eligible Basis:	$7,394,828
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$6,094,416
Qualified Acquisition Basis:	$7,394,828
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$219,399
Maximum Annual Federal Acquisition Credit:	$266,214
Total Maximum Annual Federal Credit:	$485,613
Approved Developer Fee:	$963,615
Tax Credit Factor: *Community Economics*	$0.8637

Applicant requests and staff recommends annual federal credits of $485,613, based on a qualified rehabilitation basis of $6,094,416, a qualified acquisition basis of $7,394,828, and a funding shortfall of $4,194,015.

Cost Analysis and Line Item Review

The requested eligible basis $12,082,840 is below TCAC's adjusted threshold basis limit $69,338,912. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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: None

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
$485,613	**$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 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