

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 5, 2008

Project Number CA-2008-931

Project Name Valley Commons Apartments
Address: 1444 Segsworth Way
Grass Valley, CA 95945
County: Nevada County

Applicant Information

Applicant: Star - Valley Commons, LP
Contact Michael Moore
Address: 973 Featherstone Road, Suite 325
Rockford, IL 61107
Phone: (815) 397-8827 **Fax:** (815) 397-7565
Email: mikemoore@star-hold.com
Sponsors Type: Joint Venture

Information

Housing Type: At-risk

Bond Information

Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: October 2008
Credit Enhancement: None

Eligible Basis

Actual: \$4,377,929
Requested: \$4,377,929
Maximum Permitted: \$14,957,686

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 65%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$168,865	\$0
Recommended:	\$168,865	\$0

Project Information

Construction Type: Rehabilitation and Acquisition
Federal Subsidy: Tax-Exempt/USDA
HCD MHP Funding: No
Total # of Units: 48
Total # Residential Buildings: 6

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 47 units
55-Year Use/Affordability Restriction: Yes/No
Number of Units @ or below 50% of area median income: 31
Number of Units @ or below 60% of area median income: 16

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 One-Bedroom	50%	\$584
2 One-Bedroom	60%	\$701
25 Two-Bedroom	50%	\$584
14 Two-Bedroom	60%	\$701
1 Two-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are Star - Valley Commons G/P, LLC and WHA - Valley Commons G/P, LLC.

The project developer is Star Development, LLC.

The management services will be provided by Professional Property Management, LLC.

The market analysis was provided by Lea & Company.

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: \$5,103,663 Per Unit Cost: \$106,326 Construction Cost Per Sq. Foot: \$23

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank – Tax Exempt Bonds	\$2,450,000	US Bank – Tax Exempt Bonds	\$1,975,000
USDA Rural Development	\$1,607,172	USDA Rural Development	\$1,607,172
Deferred Developer Fee	\$84,048	Deferred Developer Fee	\$86,135
Investor Equity	\$960,356	Investor Equity	\$1,435,356
		TOTAL	\$5,103,663

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$1,489,321
Requested Acquisition Eligible Basis:	\$2,888,608
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$1,936,118
Qualified Acquisition Basis:	\$2,888,608
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$67,764
Maximum Annual Federal Acquisition Credit:	\$101,101
Total Maximum Annual Federal Credit:	\$168,865
Approved Developer Fee:	\$571,034
Tax Credit Factor: Boston Capital	\$0.85

Applicant requests and staff recommends annual federal credits of \$168,865, based on a qualified rehabilitation basis of \$1,936,118, a qualified acquisition basis of \$2,888,608, and a funding shortfall of \$1,435,356.

Cost Analysis and Line Item Review

The requested eligible basis \$4,377,929 is below TCAC's adjusted threshold basis limit \$14,957,686. 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 3.50% 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
\$168,865	\$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: The applicant/owner is not required to provide the tenants with services in accordance with the bond allocation from CDLAC.

Project Analyst: Gina Ferguson