CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 3, 2008

Project Number CA-2008-910

Project Name Rochdale Grange Community
Address: Southwest Corner of Heritage Parkway and Parkland Avenue
Woodland, CA 95776 County: Yolo

Applicant Information
Applicant: Neighborhood Partners, LLC and New Hope Community Development Corporation
Contact Luke Watkins @ Neighborhood Partners, LLC
Address: 2745 Portage Bay East
Davis, CA 95616
Phone: (530) 756-1899 Fax: (530) 757-2233
Sponsors Type: Joint Venture

Bond Information
Issuer: CalHFA
Expected Date of Issuance: December 1, 2008
Credit Enhancement: N/A

Housing Type: Large Family

Eligible Basis
Actual: $14,002,931
Requested: $14,002,931
Maximum Permitted: $24,789,309

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20% ☒
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 61% ☒
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 72% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$490,103	$0
Recommended:	$490,103	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: Yes
Total # of Units: 44
Total # Residential Buildings: 8

Income/Rent Targeting
Federal Setaside Elected: 20%/50%
% & No. of Targeted Units: 100% - 43 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 43

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
14 One-Bedroom	30%	$399
2 Two-Bedroom	30%	$479
8 Two-Bedroom	50%	$799
4 Three-Bedroom	50%	$888
15 Three-Bedroom	50%	$923
1 Two-Bedroom	Manager's Unit	$1,000

The general partners or principal owners are Neighborhood Partners, LLC and New Hope Community Development Corporation.

The project developer is Neighborhood Partners, LLC.

The management services will be provided by the John Stewart Company.

The market analysis was provided by Vernazza Wolfe Associates.

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

Project Financing

Estimated Total Project Cost: $15,519,781 Per Unit Cost: $352,722 Construction Cost Per Sq. Foot: $187

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CalHFA – Tax Exempt Bonds	$8,850,000	CalHFA – Tax Exempt Bonds	$700,000
HCD – HOME	$4,000,000	HCD – HOME	$4,000,000
FHLB/First Northern Bank – AHP	$616,000	HCD – MHP	$2,950,627
General Partner Equity – Land	$1,220,000	General Partner Equity – Land	$1,220,000
Investor Equity	$492,621	FHLB/First Northern Bank – AHP	$616,000
		Subdivider Inclusionary Loan	$800,000
		CalHFA – Residual Receipt Loan	$180,000
		Deferred Developer Fee	$544,210
		Investor Equity	$4,508,944
		TOTAL	**$15,519,781**

Determination of Credit Amount(s)

Requested Eligible Basis:	$14,002,931
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	$14,002,931
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$490,103
Approved Developer Fee in Project Cost:	$1,200,000
Approved Developer Fee in Eligible Basis:	$1,200,000
Tax Credit Factor: NEF, Inc.	$0.92

Applicant requests and staff recommends annual federal credits of $490,103 based on a qualified basis of $14,002,931 and a funding shortfall of $4,508,944.

Cost Analysis and Line Item Review
The requested eligible basis $14,002,931 is below TCAC's adjusted threshold basis limit $24,789,309. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. 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 3.50% 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: Staff confirmed with the applicant that the investor is still moving forward with this tax-credit investment and that the $0.92 credit purchase price is the latest price indicated by the investor.

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
$490,103	**$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 required to provide the tenants with high-speed Internet service in each unit, and educational classes on-site or within ¼ mile of project, free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Jack Waegell