CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 30, 2009

Project Number CA-2009-809

Project Name Arroyo Grande Villas
Address: 1911 Finnell Road & 6476 Washington Street
Yountville, CA 94574 County: Napa

Applicant Information
Applicant: Napa Valley Community Housing
Contact Becky Boult
Address: 5 Financial Plaza, Suite 200
Napa, CA 94558
Phone: (707) 253-6094 Fax: (707) 255-0252
Email: rboult@nvch.org
Sponsors Type: Nonprofit

Information
Housing Type: Large Family

Bond Information
Issuer: California Municipal Housing Authority
Expected Date of Issuance: June 15, 2009
Credit Enhancement: None

Eligible Basis
Actual: $10,748,048
Requested: $10,748,048
Maximum Permitted: $16,451,474

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: 48%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$489,036	$0
Recommended:	$489,036	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: No
Total # of Units: 36
Total # Residential Buildings: 7

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 35 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 18

Unit Type & Number		2009 Rents % of Area Median Income	Proposed Rent (including utilities)
10	One-Bedroom	50%	$746
2	Two-Bedroom	50%	$895
5	Three-Bedroom	50%	$1,035
8	One-Bedroom	60%	$803
5	Two-Bedroom	60%	$1,074
5	Three-Bedroom	60%	$1,242
1	Three-Bedroom	Manager's Unit	$925

The general partner or principal owner is Napa Valley Community Housing.

The project developer is Napa Valley Community Housing.

The management services will be provided by Napa Valley Community Housing.

The market analysis was provided by VWB Research.

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

Project Financing

Estimated Total Project Cost: $11,491,477 Per Unit Cost: $319,208 Construction Cost Per Sq. Foot: $262

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Silicon Valley Bank – TE Bonds	$5,961,000	Silicon Valley Bank – TE Bonds	$1,521,000
HCD – HOME	$2,962,902	HCD – HOME	$2,962,902
Town of Yountville – Loan	$800,000	Town of Yountville – Loan	$800,000
Town of Yountville – Grant	$300,000	Town of Yountville – Grant	$300,000
Aloysius Inn – Grant	$232,000	County of Napa	$800,000
Costs deferred Until Perm Closing	$468,824	AHP	$234,000
Deferred Developer Fee	$619,000	Aloysius Inn – Grant	$232,000
Investor Equity	$147,750	Deferred Developer Fee	$619,000
		Investor Equity	$4,022,575
		TOTAL	**$11,491,477**

Determination of Credit Amount(s)

Requested Eligible Basis:	$10,748,048
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$13,972,462
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$489,036
Approved Developer Fee:	$1,200,000
Tax Credit Factor: *CA Housing Partnership Corp.*	$0.82255

Applicant requests and staff recommends annual federal credits of $489,036 based on a qualified basis of $13,972,462 and a funding shortfall of $4,022,575.

Cost Analysis and Line Item Review

The requested eligible basis $10,748,048 is below TCAC's adjusted threshold basis limit $16,451,474. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, and 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
$489,036	**$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 after school programs and educational classes 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: Anthony Zeto