

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009

Project Number CA-2009-843

Project Name Pacific Meadows Apartments
Address: 5315 Carnel Valley Road
Carmel, CA 93923 County: Monterey

Applicant Information

Applicant: American Baptist Homes of the West, Inc.
Contact Ancel Romero
Address: 6120 Stoneridge Mall Road, 3rd Floor
Pleasanton, CA 94588
Phone: (925) 924-7179 Fax: (925) 924-7233
Email: aromero@abhow.com
Sponsors Type: Nonprofit

Information

Housing Type: Senior

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: October 15, 2009
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$837,037	\$0
Recommended:	\$837,037	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: No
Total # of Units: 200
Total # Residential Buildings: 6
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 95% - 189 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis

Actual: \$22,525,491
Requested: \$21,898,535
Maximum Permitted: \$69,745,200

Adjustments to Threshold Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted
Between 50% AMI & 36% AMI: 52%

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
8 Studio Units	47%	\$551
20 Studio Units	50%	\$581
1 Studio Unit	56%	\$656
40 One-bedroom Units	50%	\$630
49 One-bedroom Units	52%	\$649
4 One-bedroom Units	60%	\$756
7 One-bedroom Units	60%	\$756
8 One-bedroom Units	60%	\$756
12 Two-bedroom Units	50%	\$757
24 Two-bedroom Units	50%	\$757
16 Two-bedroom Units	60%	\$909
2 Two-bedroom Units	Manager's Unit	\$0
1 Studio Unit	Market Rate	\$860
2 One-bedroom Units	Market Rate	\$1,088
6 Two-bedroom Units	Market Rate	\$1,346

The general partner or principal owner is Carmel Senior Housing, Inc.

The project developer is American Baptist Homes of the West, Inc.

The management services will be provided by American Baptist Homes of the West, Inc.

The market analysis was provided by Vernazza Wolf Associates

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

Estimated Total Project Cost: \$23,656,079 Per Unit Cost: \$118,280 Construction Cost Per Sq. Foot: \$51

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Union Bank of California	\$14,181,581	Union Bank of California	\$7,202,414
HCD – RHCP	\$3,100,000	HCD – RHCP	\$3,100,000
Monterey County - HOME	\$645,000	Monterey County - HOME	\$645,000
Investor Equity	\$397,383	Accrued RHCP Interest	\$1,507,410
		Income from Operations	\$636,978
		ABHOW Loan	\$187,200
		Equity from Photovoltaic Credit	\$1,253,912
		GP Capital	\$1,241,208
		Deferred Developer Fee	\$1,258,792
		Investor Equity	\$6,623,165
		TOTAL	\$23,656,079

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$11,243,791
Requested Acquisition Eligible Basis:	\$10,654,743
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$13,832,436
Qualified Acquisition Basis:	\$10,082,902
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$484,135
Maximum Annual Federal Acquisition Credit:	\$352,902
Total Maximum Annual Federal Credit:	\$837,037
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.79126

Cost Analysis and Line Item Review

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: The preliminary reservation of tax credits is contingent upon the receipt of a revised appraisal within 30 days of the date of reservation verifying that the as-is value of the existing improvements is no less than \$9,247,223 as indicated in the preliminary application. If the amount is less then the \$9,247,223 from the preliminary application, there may be a reduction to the tax credit reservation amount.

In addition, the applicant must submit to TCAC, at the time the placed in service documentation is submitted, 3rd party lender verification of the assumed debt at the time of closing on the purchase of the property. The total assumed debt figure represents the purchase price of the property. Should the assumed debt figure be less than the \$9,247,223 figure presented in the preliminary application, TCAC may re-evaluate the acquisition basis of the existing improvements, which ultimately may affect the final tax credit award.

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 Tax Credits/Annual	State Tax Credits/Total
\$837,037	\$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 contract for services 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: Anthony Zeto