CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 16, 2011

Project Number CA-2011-915

Project Name Trans Pacific Gardens II Apartments

Site Address:	729 Nord Avenue	
	Chico, CA 95926	County: Butte
Census Tract:	5.020	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$551,007	$0
Recommended:	$551,007	$0

Applicant Information

Applicant:	Dawson Holdings, Inc.	
Contact:	Tim Fluetsch	
Address:	300 Turney Street, 2nd Floor	
	Sausalito, CA 94965	
Phone:	801-244-6658	Fax: 801-733-5481
Email:	tim.fluetsch@gmail.com	

General partner(s) or principal owner(s):	Community Resident Services, Inc.
	DHI Trans Pacific Gardens II Associates, LLC
General Partner Type:	Joint Venture
Developer:	Dawson Holdings, Inc.
Investor/Consultant:	Alliant Capital
Management Agent:	U.S. Residential Group

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	15
Total # of Units:	164
No. & % of Tax Credit Units:	162 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Project-Based Section 8 (125 units - 76%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	49
Number of Units @ or below 60% of area median income:	113

Bond Information

Issuer:	California Affordable Housing Agency
Expected Date of Issuance:	12/15/11
Credit Enhancement:	None

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital and Northern Region
TCAC Project Analyst:	Nicola Hil

Unit Mix

68	1-Bedroom Units
96	2-Bedroom Units
164	Total Units

Unit Type & Number		2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20	1 Bedroom	50%	50%	$543
48	1 Bedroom	60%	60%	$652
29	2 Bedrooms	50%	50%	$652
65	2 Bedrooms	60%	60%	$778
2	2 Bedrooms	Manager's Unit	Manager's Unit	$855

Project Financing

Estimated Total Project Cost:	$16,782,458	Construction Cost Per Square Foot:	$31
		Per Unit Cost:	$102,332

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
Pembrook Multifamily Capital, LLC	$13,000,000	Pembrook Multifamily Capital, LLC	$9,527,400
Net Cash Flow During Rehab	$767,922	Net Cash Flow During Rehab	$772,080
Deferred Developer Fee	$1,915,362	Deferred Developer Fee	$1,528,874
Tax Credit Equity	$1,099,174	Tax Credit Equity	$4,954,104
		TOTAL	**$16,782,458**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,072,168
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,612,275
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,593,818
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	$9,612,275
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$224,190
Maximum Annual Federal Credit, Acquisition:	$326,817
Total Maximum Annual Federal Credit:	$551,007
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,915,362
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	$0.89910

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$14,684,443
Actual Eligible Basis:	$14,684,443
Unadjusted Threshold Basis Limit:	$33,521,840
Total Adjusted Threshold Basis Limit:	$43,578,392

Adjustments to Basis Limit:
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

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 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 3.40% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: The applicant’s estimate of the contractor’s profit, overhead and general requirement costs exceed the limits established by regulation. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit will not be allowed.

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

Recommendation: Staff recommends that the Committee make a preliminary 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
$551,007	**$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 preliminary 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 as presented 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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 educational classes 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

At least one high efficiency toilet (1.3 gallons per flush) or dual-flush toilet per unit.

Material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six sides by laminates and/or a low-VOC primer or sealant (150 grams per liter or less).

Interior paint with no volatile organic compounds. (5 grams per liter or less).