

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2011

Project Number CA-2011-933

Project Name McCarty Manor Apartments
Site Address: 741 Waugh Lane
Ukiah, CA 95482 County: Mendocino
Census Tract: 116.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$226,411	\$0
Recommended:	\$226,411	\$0

Applicant Information

Applicant: Pine Gardens I, Inc.
Contact: Bruce Alfano
Address: 499 Leslie Street
Ukiah, CA 95482
Phone: 707-463-1975 Fax: 707-463-2252
Email: balfano@rchdc.org

General partner(s) or principal owner(s): Pine Gardens I, Inc.
General Partner Type: Nonprofit
Developer: Pine Gardens I, Inc.
Investor/Consultant: Fred Consulting Associates
Management Agent: Rural Communities Housing Development Corp.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 8
Total # of Units: 40
No. & % of Tax Credit Units: 40 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / USDA 515 Loan Assumption / HUD Section 8 (40 units -100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 24
Number of Units @ or below 60% of area median income: 16

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: March 6, 2012
Credit Enhancement: None

Information

Housing Type: At-Risk
Geographic Area: Rural
TCAC Project Analyst: Nicola Hil

Unit Mix

8 1-Bedroom Units
12 2-Bedroom Units
20 3-Bedroom Units
<u>40 Total Units</u>

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	50%	50%	\$543
3 1 Bedroom	60%	60%	\$652
7 2 Bedrooms	50%	50%	\$652
5 2 Bedrooms	60%	60%	\$783
12 3 Bedrooms	50%	50%	\$753
8 3 Bedrooms	60%	60%	\$903

* Manager's Unit is included in the low-income units with a tenant in a 50% AMI, 3 bedroom unit as a management assistant.

Project Financing

Estimated Total Project Cost:	\$6,604,512	Construction Cost Per Square Foot:	\$41
		Per Unit Cost:	\$165,113

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
PNC Bank, N.A.	\$3,400,000	PNC Bank, N.A.	\$1,850,000
USDA-RD (515 Loan)	\$1,127,819	USDA-RD (515 Loan)	\$1,127,819
RCHDC	\$800,000	RCHDC	\$800,000
Project Reserve Funds	\$95,821	Project Reserve Funds	\$95,821
Post Construction Sources	\$705,872	AHP	\$400,000
Tax Credit Equity	\$475,000	Deferred Developer Fee	\$406,379
		Tax Credit Equity	\$1,924,493
		TOTAL	\$6,604,512

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,327,113
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,634,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,025,247
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$3,634,000
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$102,855
Maximum Annual Federal Credit, Acquisition:	\$123,556
Total Maximum Annual Federal Credit:	\$226,411
Approved Developer Fee (in Project Cost & Eligible Basis):	\$777,536
Investor/Consultant:	Fred Consulting Associates
Federal Tax Credit Factor:	\$0.85000

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:	\$5,961,113
Actual Eligible Basis:	\$5,961,113
Unadjusted Threshold Basis Limit:	\$9,306,416
Total Adjusted Threshold Basis Limit:	\$14,890,266

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: 60%

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 managers' unit for the project is included in the low-income units with a low-income tenant in a 50% AMI, 3 bedroom unit as a management assistant.

Local Reviewing Agency:

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.

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
\$226,411	\$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.