CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
February 1, 2012

Project Number	CA-2012-805

Project Name	Piedmont Apartments		
Site Address:	215 West MacArthur Boulevard		
	Oakland, CA 94611	County:	Alameda
Census Tract:	4035.100		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$953,508	$0
Recommended:	$953,508	$0

Applicant Information

Applicant:	Piedmont Apartments, LP		
Contact:	Andrew Nelson		
Address:	26440 La Alameda, Suite 370		
	Mission Viejo, CA 92691		
Phone:	949-268-1731	Fax:	949-367-1390
Email:	nelsona@netwasatch.com		

General partner(s) or principal owner(s):	Piedmont Apartments, LLC
	Community Home Builders and Associates
General Partner Type:	Joint Venture
Developer:	Wasatch Advantage Group, LLC
Investor/Consultant:	Red Stone Equity Partners
Management Agent:	Wasatch Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	250
No. & % of Tax Credit Units:	247 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 25
Number of Units @ or below 60% of area median income: 222

Bond Information

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

Information

Housing Type:	Non-Targeted
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Gina Ferguson

Unit Mix

33	SRO/Studio Units
193	1-Bedroom Units
24	2-Bedroom Units
250	Total Units

Unit Type & Number		2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	50%	50%	$808
18	SRO/Studio	60%	54%	$870
2	SRO/Studio	50%	50%	$808
11	SRO/Studio	60%	56%	$910
19	1 Bedroom	50%	50%	$866
172	1 Bedroom	60%	60%	$1,039
2	2 Bedrooms	50%	50%	$1,038
21	2 Bedrooms	60%	60%	$1,246
2	1 Bedroom	Manager's Unit	Manager's Unit	$1,002
1	2 Bedrooms	Manager's Unit	Manager's Unit	$1,202

Project Financing

Estimated Total Project Cost: $34,805,521

Residential

Construction Cost Per Square Foot:	$38
Per Unit Cost:	$139,222

Construction Financing

Source	Amount
Citi Community Capital	$26,200,000
Deferred Costs	$1,341,879
Tax Credit Equity	$7,263,643

Permanent Financing

Source	Amount
Citi Community Capital	$24,184,298
Developer Note	$1,515,221
Tax Credit Equity	$9,106,002
TOTAL	**$34,805,521**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,190,471
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$21,606,678
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,190,471
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	$21,606,678
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$262,095
Maximum Annual Federal Credit, Acquisition:	$691,413
Total Maximum Annual Federal Credit:	$953,508
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	$0.95500

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:	$29,797,149
Actual Eligible Basis:	$29,797,149
Unadjusted Threshold Basis Limit:	$65,474,650
Total Adjusted Threshold Basis Limit:	$72,022,115

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: 10%

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 meet/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 3.20% 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:

This project is a resyndication. The original TCAC project number is CA-1996-908.

Local Reviewing Agency:
The Local Reviewing Agency, City of Oakland Community and Economic Development Agency, 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
$953,508	**$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 the following service amenities 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:

- After school program
- Educational classes

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:

- The project is a new construction or adaptive reuse project that exceeds Title 24 Energy Standards by at least 10%, or a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission.
- The project will incorporate the following energy efficient items:

  * Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less)

  * Material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six (6) sides by laminates and/or a low-VOC primer or sealant (150 grams per liter or less)

  * Bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer