

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 21, 2012**

Project Number CA-2012-819

Project Name Gridley Springs Apartments 1 and 2
Site Address: 200 and 210 Ford Avenue
Gridley, CA 95948 County: Butte
Census Tract: 35.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$218,578	\$0
Recommended:	\$218,578	\$0

Applicant Information

Applicant: Dawson Holdings, Inc.
Contact: Tom Dawson
Address: 300 Turney Street
Sausalito, CA 94965
Phone: (415) 332 8390 ext. 11 Fax: (415) 332 8391
Email: tdawson@d-h-i.net

General partner(s) or principal owner(s): Dawson Holdings, Inc.
DFA Development LLC
Community Resident Services

General Partner Type: Joint Venture

Developer: Dawson Holdings, Inc.
Investor/Consultant: Michel Associates Ltd.
Management Agent: Hank Fisher Properties

Project Information

Construction Type: Acquisition & Rehabilitation

Total # Residential Buildings: 7

Total # of Units: 56

No. & % of Tax Credit Units: 55 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HOME / USDA RHS 538 & Assumed Loan

HCD MHP Funding: No

55-Year Use/Affordability: Yes

Number of Units @ or below 50% of area median income: 55

Bond Information

Issuer: California Affordable Housing Agency

Expected Date of Issuance: June 1, 2012

Credit Enhancement: None

Information

Housing Type: At-Risk
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Nicola Hil

Unit Mix

12 1-Bedroom Units
 29 2-Bedroom Units
 14 3-Bedroom Units

 55 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 1 Bedroom	50%	46%	\$502
27 2 Bedrooms	50%	44%	\$581
2 2 Bedrooms	50%	44%	\$578
8 3 Bedrooms	50%	45%	\$693
6 3 Bedrooms	50%	41%	\$626
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$7,714,213 Construction Cost Per Square Foot: \$59
 Per Unit Cost: \$137,754

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Rabobank N.A.	\$4,000,000	Bonneville Multifamily Capital	\$450,000
USDA RD	\$1,129,459	USDA RD	\$1,129,459
City of Gridley (HOME)	\$1,200,000	City of Gridley (HOME)	\$3,850,000
Nonprofit Loan to Partnership	\$194,811	Nonprofit Loan to Partnership	\$194,811
Post Construction Funds	\$739,943	Deferred Developer Fee	\$122,938
Tax Credit Equity	\$450,000	Tax Credit Equity	\$1,967,005
		TOTAL	\$7,714,213

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$4,076,311
 130% High Cost Adjustment: No
 Requested Eligible Basis (Acquisition): \$2,754,250
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$4,076,311
 Applicable Rate: 3.20%
 Qualified Basis (Acquisition): \$2,754,250
 Applicable Rate: 3.20%
 Maximum Annual Federal Credit, Rehabilitation: \$130,442
 Maximum Annual Federal Credit, Acquisition: \$88,136
 Total Maximum Annual Federal Credit: \$218,578
 Approved Developer Fee (in Project Cost & Eligible Basis): \$890,942
 Investor/Consultant: Michel Associates Ltd.
 Federal Tax Credit Factor: \$0.89991

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:	\$6,830,561
Actual Eligible Basis:	\$6,830,561
Unadjusted Threshold Basis Limit:	\$12,283,488
Total Adjusted Threshold Basis Limit:	\$27,296,640

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.20% 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: The syndicator letter states total syndication expenses will be roughly 11.5% of gross proceeds. Per Section 10327(c)(3) of the TCAC regulations, syndication expenses cannot exceed 10% of gross proceeds in a private offering. The developer is advised that the total syndication expenses must be in compliance with TCAC regulatory requirements by placed in service.

Local Reviewing Agency:

The Local Reviewing Agency, City of Gridley, 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
\$218,578	\$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: None