

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 11, 2012

Project Number CA-12-839

Project Name Gridley Springs I Apartments
 Site Address: 210 Ford Avenue
 Gridley, CA 95948 County: Butte
 Census Tract: 35.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$123,281	\$0
Recommended:	\$123,281	\$0

Applicant Information

Applicant: Dawson Holdings, Inc.
 Contact: Tim Fluetsch
 Address: 300 Turney Street, 2nd Floor
 Sausalito, CA 94965
 Phone: 801-244-6658 Fax: 415-332-8391
 Email: tfluetsch@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: 4

Total # of Units: 32

No. & % of Tax Credit Units: 31 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HOME / USDA Sections 538, 515 and 521 (26 units - 84%)

HCD MHP Funding: No

55-Year Use/Affordability: Yes

Number of Units @ or below 50% of area median income: 31

Bond Information

Issuer: California Affordable Housing Agency
 Expected Date of Issuance: September 20, 2012
 Credit Enhancement: None

Information

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

Unit Mix

12 1-Bedroom Units
 18 2-Bedroom Units
 2 3-Bedroom Units

 32 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%	45%	\$492
17 2 Bedrooms	50%	43%	\$574
2 3 Bedrooms	50%	44%	\$676
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$4,481,029 Construction Cost Per Square Foot: \$62
 Per Unit Cost: \$140,032

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Rabobank, N.A.	\$2,300,000	Bonneville Multifamily Capital RHS 538	\$400,000
City of Gridley-HOME Loan	\$350,000	City of Gridley-HOME Loan	\$1,490,000
USDA-RD 515 Loan	\$1,129,459	USDA-RD 515 Loan	\$1,129,459
Project Reserves Credit	\$180,000	Project Reserves Credit	\$180,000
Post Construction Sources	\$421,570	Deferred Developer Fee	\$172,056
Tax Credit Equity	\$100,000	Tax Credit Equity	\$1,109,514
		TOTAL	\$4,481,029

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,283,116
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,569,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,283,116
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$1,569,750
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$73,049
Maximum Annual Federal Credit, Acquisition:	\$50,232
Total Maximum Annual Federal Credit:	\$123,281
Approved Developer Fee (in Project Cost & Eligible Basis):	\$502,548
Investor/Consultant:	Michel Associates, Ltd.
Federal Tax Credit Factor:	\$0.89999

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:	\$3,852,866
Actual Eligible Basis:	\$3,852,866
Unadjusted Threshold Basis Limit:	\$6,589,728
Total Adjusted Threshold Basis Limit:	\$14,497,402

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:

This project is a re-application of project 12-819 that incorporated Gridley Spring 1 & 2. Applicant had to re-apply with two separate applications, as site 1 has USDA financing and site 2 does not. This project is a re-syndication of TCAC project CA-1989-021.

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
\$123,281	\$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 a reservation 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