

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 13, 2013

Project Number CA-13-815

Project Name Sierra Vista I Apartments
Site Address: 1909 Hackett Avenue
Mountain View, CA 94043 County: Santa Clara
Census Tract: 5093.090

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$553,472	\$0
Recommended:	\$553,472	\$0

Applicant Information

Applicant: Sierra Vista I, LP
Contact: Flaherty Ward
Address: 1400 Parkmoor Ave, #190
San Jose, CA 95126
Phone: 408-550-8313 Fax: 408-550-8339
Email: fward@charitieshousing.org

General partner(s) or principal owner(s): Sierra Vista I Charities LLC
General Partner Type: Nonprofit
Developer: Charities Housing
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Charities Housing

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 5
Total # of Units: 34
No. & % of Tax Credit Units: 29 87.88%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / CDBG / HUD Section 8 Project-Based Contract (27 units - 93%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 26
Number of Units @ or below 60% of area median income: 3

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: May 1, 2013
Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

3 2-Bedroom Units
 19 3-Bedroom Units
 12 4-Bedroom Units

 34 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	50%	50%	\$1,181
15 3 Bedrooms	50%	50%	\$1,365
9 4 Bedrooms	50%	50%	\$1,522
2 3 Bedrooms	60%	46%	\$1,246
1 4 Bedrooms	60%	60%	\$1,826
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,021
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,788
1 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,333
2 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,444

Project Financing

Estimated Total Project Cost: \$20,041,963
 Estimated Residential Project Cost: \$20,041,963

Construction Financing

<u>Source</u>	<u>Amount</u>
TE Citi Community Capital	\$10,985,266
Seller Carryback Loan	\$7,056,579
1999 CDBG Loan/City of Mountain View	\$100,000
2007 CDBG Loan/City of Mountain View	\$255,000
Income From Operations	\$185,591
Tax Credit Equity	\$616,000

Residential

Construction Cost Per Square Foot: \$96
 Per Unit Cost: \$589,470

Permanent Financing

<u>Source</u>	<u>Amount</u>
TE Citi Community Capital/Tranche A	\$3,458,900
TE Citi Community Capital/Tranche B	\$2,691,000
Seller Carryback Loan	\$7,056,579
1999 CDBG Loan/City of Mountain View	\$100,000
2007 CDBG Loan/City of Mountain View	\$255,000
Withdrawal from Project Reserves	\$616,000
Income from Operations	\$371,181
Tax Credit Equity	\$5,493,303
TOTAL	\$20,041,963

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,578,530
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$11,129,570
Applicable Fraction:	87.88%
Qualified Basis (Rehabilitation):	\$7,515,472
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$9,780,531
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$240,496
Maximum Annual Federal Credit, Acquisition:	\$312,976
Total Maximum Annual Federal Credit:	\$553,472
Approved Developer Fee (in Project Cost and Eligible Basis):	\$1,064,253
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99252

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:	\$17,708,100
Actual Eligible Basis:	\$17,708,100
Unadjusted Threshold Basis Limit:	\$11,054,684
Total Adjusted Threshold Basis Limit:	\$20,230,808

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: 78%

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 total development costs are roughly \$589,470 per unit. The higher than average cost is attributed to high real estate costs for the area, intensive rehabilitation needs, which include upgrades to primary systems, structural upgrades, updating of sanitary sewer system, and installation of individual meters.

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Local Reviewing Agency:

The Local Reviewing Agency, City of Mountain View, 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
\$553,472	\$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