CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 18, 2007

Project Number CA-2007-826

Project Name Crescent Park Apartments
Address: 5000 Hartnett Avenue
Richmond, CA 94804 County: Contra Costa

Applicant Information
Applicant: EAH Inc.
Contact Lynn Berard
Address: 2169 E. Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: (415) 295-8825 Fax: (415) 453-3683
Sponsors Type: Nonprofit

Bond Information
Issuer: City of Richmond
Expected Date of Issuance: July 1, 2007
Credit Enhancement: N/A

Eligible Basis
Actual: $97,786,458
Requested: $97,786,458
Maximum Permitted: $135,538,748

Extra Feature Adjustments:
55-Year Use/Rent Restriction Adjustment: 120% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,968,856	$0
Recommended:	$3,968,856	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 378
Total # Residential Buildings: 24

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 376 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 199
Number of Units @ or below 60% of area median income: 177

Unit Type & Number		2007 Rents % of Area Median Income	Proposed Rent (including utilities)
45	One-Bedroom	50%	$785
32	One-Bedroom	60%	$942
7	One-Bedroom	60%	$850
60	Two-Bedroom	50%	$942
42	Two-Bedroom	60%	$1,131
9	Two-Bedroom	60%	$950
69	Three-Bedroom	50%	$1,089
53	Three-Bedroom	60%	$1,307
12	Three-Bedroom	60%	$1,200
25	Four-Bedroom	50%	$1,215
15	Four-Bedroom	60%	$1,458
7	Four-Bedroom	60%	$1,300
1	Two-Bedroom	Manager's Unit	$210
1	Four-Bedroom	Manager's Unit	$0

The general partner or principal owner is Crescent Park EAH, LLC.

The project developer is EAH Inc.

The management services will be provided by EAH, Inc.

The market analysis was provided by Newport Realty Advisors.

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.

Project Financing
Estimated Total Project Cost: $108,168,788 Per Unit Cost: $286,161 Construction Cost Per Sq. Foot: $97

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Union Bank of CA	$55,000,000	Union Bank of CA	$33,315,000
EAH-Contra Costa, Inc.	$25,781,103	EAH-Contra Costa, Inc.	$25,781,103
GP Equity	$4,097,898	GP Equity	$4,097,897
Income from Operations	$3,733,523	Income from Operations	$3,733,523
Investor Equity	$19,556,264	Investor Equity	$41,241,265
		TOTAL	**$108,168,788**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$52,031,459
Requested Acquisition Eligible Basis:	$45,754,999
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$67,640,897
Qualified Acquisition Basis:	$45,754,999
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$2,367,431
Maximum Annual Federal Acquisition Credit:	$1,601,425
Total Maximum Annual Federal Credit:	$3,968,856
Approved Developer Fee:	$2,500,000
Tax Credit Factor:	$1.03910

Applicant requests and staff recommends annual federal credits of $3,968,856, based on a qualified rehabilitation basis of $67,640,897, a qualified acquisition basis of $45,754,999, and a funding shortfall of $41,241,265.

Cost Analysis and Line Item Review
The requested eligible basis $97,786,458 is below TCAC's adjusted threshold basis limit $135,538,748. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
$3,968,856	**$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.

TCAC makes the 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 high-speed Internet service, after school program of an ongoing nature, educational classes and contracts for services 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.

Project Analyst: Elaine Johnson