CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2011

Project Number CA-2011-936

Project Name Shelter Hill Apartments
Site Address: 37 Miwok Way
Mill Valley, CA 94941 County: Marin
Census Tract: 1262.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$853,649	$0
Recommended:	$853,649	$0

Applicant Information
Applicant: EAH, Inc.
Contact: Dave Egan
Address: 2169 E. Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: 415-295-8870 Fax: 415-453-3683
Email: degan@eahhousing.org

General partner or principal owner: Interfaith Housing Foundation, Inc.
General Partner Type: Nonprofit
Developer: EAH Inc.
Investor/Consultant: California Housing Partnership Corp.
Management Agent: EAH Inc.

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 11
Total # of Units: 75
No. & % of Tax Credit Units: 65 88%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / CDBG / HUD Project-based Section 8 (77% / 57 Units) / HUD Flexible Subsidy Loan
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 8
Number of Units @ or below 60% of area median income: 57

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	January 17, 2012
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	North & East Bay Region
TCAC Project Analyst:	Jack Waegell

Unit Mix

4	1-Bedroom Units
27	2-Bedroom Units
44	3-Bedroom Units
75	Total Units

Unit Type & Number		2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	50%	46%	$912
3	2 Bedrooms	50%	44%	$1,048
4	3 Bedrooms	50%	43%	$1,198
2	1 Bedroom	60%	46%	$912
21	2 Bedrooms	60%	44%	$1,048
34	3 Bedrooms	60%	43%	$1,198
1	1 Bedroom	HUD Restricted	HUD Restricted	$857
2	2 Bedrooms	HUD Restricted	HUD Restricted	$997
6	3 Bedrooms	HUD Restricted	HUD Restricted	$1,107
1	2 Bedrooms	Manager's Unit	Manager's Unit	$1,133

Project Financing

Estimated Total Project Cost:	$32,295,551
Estimated Residential Project Cost:	$32,295,551

Residential

Construction Cost Per Square Foot:	$86
Per Unit Cost:	$430,607

Construction Financing

Source	Amount
Citibank Tax-Exempt Construction Loan	$18,279,647
HUD Flexible Subsidy Loan	$3,427,248
Seller Financing	$10,369,799
Marin County CDBG Loan	$51,000
Tax Credit Equity	$85,356

Permanent Financing

Source	Amount
Citi Community Capital (Tranche A)	$3,136,920
Citi Community Capital (Tranche B)	$5,921,705
HUD Flexible Subsidy Loan	$3,427,248
Seller Financing	$10,369,799
Marin County CDBG loan	$51,000
Income from Operations	$652,424
Deferred Developer Fee	$317,460
Tax Credit Equity	$8,418,995
TOTAL	**$32,295,551**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,020,976
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$14,256,468
Applicable Fraction:	87.84%
Qualified Basis (Rehabilitation):	$12,584,763
Qualified Basis (Acquisition):	$12,522,573
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$427,882
Maximum Annual Federal Credit, Acquisition:	$425,767
Total Maximum Annual Federal Credit:	$853,649
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,116,398
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	$0.98624

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:	$25,277,444
Actual Eligible Basis:	$25,277,444
Unadjusted Threshold Basis Limit:	$25,713,564
Total Adjusted Threshold Basis Limit:	$28,284,920

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 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 3.40% 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 involves the acquisition and rehabilitation of a project that is under an existing HUD 236 regulatory agreement through May 1, 2017. Although the HUD 236 loan is being paid off, the assumption and restructuring of the project's HUD flexible subsidy loan and its use agreement will extend the HUD 236 program restrictions to match the anticipated new 30-year term of the flexible subsidy loan.

The project also has an existing HUD project-based Section 8 contract on 57 units through June 30, 2014, which HUD has indicated will be extended to June 30, 2031.

The project's 9 non-tax credit units (HUD restricted) are the result of current tenants who are over-income under the tax-credit limitations and are anticipated to remain in the project after completion. If these over-income tenants move out, the applicant intends to turn these units into tax credit units and increase the project's applicable fraction accordingly.

Local Reviewing Agency:

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.

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**
$853,649	**$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:

- High-speed Internet or wireless (WiFi)
- Bona fide service coordinator

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 Rehabilitation Project reducing energy use on a per square foot basis by 25%
- The Project will incorporate the following energy efficient items:

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

  b) At least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit;

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