

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 10, 2012**

Project Number CA-12-868

Project Name EC Magnolia
Site Address: 22880 Watkins Street
Hayward, CA 94541 County: Alameda
Census Tract: 4354.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$148,799	\$0
Recommended:	\$148,799	\$0

Applicant Information

Applicant: Eden Housing, Inc.
Contact: Linda Mandolini
Address: 22645 Grand Street
Hayward, CA 94541
Phone: (510) 582-1460 Fax: (510) 582-6523
Email: lmandolini@edenhousing.org

General partner(s) or principal owner(s): Eden Investments, Inc.
General Partner Type: Nonprofit
Developer: Eden Housing, Inc.
Consultant: Community Economics, Inc.
Management Agent: Eden Housing Management, Inc

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 21
No. & % of Tax Credit Units: 20 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (20 units / 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 2
Number of Units @ or below 50% of area median income: 18

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: January 23, 2013
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

13 1-Bedroom Units
 8 2-Bedroom Units

 21 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>
1 1 Bedroom	30%	30%	\$525
1 2 Bedrooms	30%	30%	\$631
2 1 Bedroom	40%	40%	\$701
2 2 Bedrooms	40%	40%	\$842
10 1 Bedroom	50%	50%	\$876
4 2 Bedrooms	50%	50%	\$1,052
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$5,234,803
 Estimated Residential Project Cost: \$5,234,803

Residential

Construction Cost Per Square Foot: \$90
 Per Unit Cost: \$249,276

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank - Tax-Exempt Construction Loan	\$2,692,134
Seller Carryback Loan	\$536,252
Existing Reserves	\$293,508
Costs Deferred During Construction	\$181,349
Accrued Interest on Residual Loans	\$12,280
Deferred Developer Fee	\$200,000
G.P. Equity from Sale of Other Project	\$1,163,056
Tax Credit Equity	\$156,224

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Loan	\$1,320,327
Seller Carryback Loan	\$536,252
Existing Reserves	\$293,508
Income from Operations	\$10,000
Accrued Interest on Residual Loans	\$12,280
Deferred Developer Fee	\$200,000
G.P. Equity from Sale of Other Project	\$1,163,056
General Partner Equity	\$230,319
Tax Credit Equity	\$1,469,061
TOTAL	\$5,234,803

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,737,367
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$1,912,617
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,737,367
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$1,912,617
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$87,596
Maximum Annual Federal Credit, Acquisition:	\$61,203
Total Maximum Annual Federal Credit:	\$148,799
Approved Developer Fee (in Project Cost & Eligible Basis):	\$448,058
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.98728

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:	\$4,649,984
Actual Eligible Basis:	\$4,649,984
Unadjusted Threshold Basis Limit:	\$5,527,954
Total Adjusted Threshold Basis Limit:	\$11,608,703

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: 90%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

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 was originally built using HUD 202 & 811 programs to provide housing for the elderly and disabled. The HUD loan will be prepaid as part of the projects refinancing, but the HUD restrictions will continue until the end of 2032. In addition, the City of Hayward's 1991 agreement and its restrictions will continue on this project until 2046.

The project has a HUD Section 8 project-based contract covering all 20 affordable units.

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
\$148,799	\$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: 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:

- Educational classes
- Bona fide service coordinator