CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 21, 2014

Project Number	CA-14-855

Project Name	Faith Manor Apartments
Site Address:	987-995 Forselles Way and 27597-27601 Tyrrell Avenue
	Hayward, CA 94544 County: Alameda
Census Tract:	4377.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$570,413	$0
Recommended:	$570,413	$0

Applicant Information

Applicant:	Faith Manor Associates, LP		
Contact:	Landis Graden		
Address:	907 W Tennyson Road		
	Hayward, CA 94544		
Phone:	707-304-4340	Fax:	858-792-2356
Email:	lgraden@dcgrealestate.com		

General Partner(s) or Principal Owner(s):	Faith Manor, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Glad Tidings Community Development
Developer:	Dutra-Cerro-Graden, Inc.
Investor/Consultant:	Michel Associates, Ltd.
Management Agent:	Eden Housing

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	24
Total # of Units:	62
No. & % of Tax Credit Units:	61 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / FHA 221(d)(4)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income:	7
Number of Units @ or below 60% of area median income:	54

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	August 20, 2014
Credit Enhancement:	CBRE / FHA 221(d)(4)

Information

Housing Type:	Large Family
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Connie Harina

Unit Mix

25	2-Bedroom Units
37	3-Bedroom Units
62	Total Units

Unit Type & Number		2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	2 Bedrooms	50%	50%	$1,035
21	2 Bedrooms	60%	60%	$1,242
4	3 Bedrooms	50%	50%	$1,196
33	3 Bedrooms	60%	60%	$1,435
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,487

Project Financing	
Estimated Total Project Cost:	$18,343,734
Estimated Residential Project Cost:	$18,343,734

Residential	
Construction Cost Per Square Foot:	$70
Per Unit Cost:	$295,867

Construction Financing

Source	Amount
CBRE - Series A	$8,024,100
CBRE - Series B	$1,300,000
Seller Financing	$4,500,000
Deferred Costs	$3,515,708
Tax Credit Equity	$1,003,927

Permanent Financing

Source	Amount
CBRE - Taxable Loan	$8,024,100
Seller Financing	$4,500,000
Deferred Developer Fee	$800,000
Tax Credit Equity	$5,019,634
TOTAL	**$18,343,734**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,383,911
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,200,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,299,084
Qualified Basis (Acquisition):	$9,200,000
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	$261,293
Maximum Annual Federal Credit, Acquisition:	$309,120
Total Maximum Annual Federal Credit:	$570,413
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,032,684
Investor/Consultant:	Michel Associates, Ltd.
Federal Tax Credit Factor:	$0.88000

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:	$15,583,911
Actual Eligible Basis:	$15,583,911
Unadjusted Threshold Basis Limit:	$21,187,008
Total Adjusted Threshold Basis Limit:	$27,754,981

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: 11%

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 meet 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 3.36% 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:

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service.

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
$570,413	**$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 complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 30% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.