CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

East Bluff, located at 1813 Marlesta Court in Pinole, CA, requested and is being recommended for a reservation of $1,701,846 in annual federal tax credits to finance the acquisition and rehabilitation of 142 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 9 and Assembly District 15.

East Bluff is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, East Bluff Apartments (CA-98-925). See **Special Issues/Other Signficant Information** below for additional re-syndication information.

Project Number CA-15-932

Project Name East Bluff

Site Address: 1813 Marlesta Court
Pinole, CA 94564 County: Contra Costa

Census Tract: 3591.030

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,701,846	$0
Recommended:	$1,701,846	$0

Applicant Information

Applicant:	EB, L.P.
Contact:	Linda Mandolini
Address:	22645 Grand Street Hayward, CA 94541
Phone:	510-582-1460 Fax: 510-582-0122
Email:	lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s):	EB LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership Corp.
Management Agent:	Eden Housing Management

Project Information

Construction Type:	Acquisition and Rehabilitation
Total # Residential Buildings:	11
Total # of Units:	144
No. & % of Tax Credit Units:	142 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / CDBG / HOME
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 70
Number of Units @ or below 60% of area median income: 72

Bond Information

Issuer:	Contra Costa County
Expected Date of Issuance:	March 1, 2016
Credit Enhancement:	No

Information

Housing Type:	Non-Targeted
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Mayra Lozano

Unit Mix

18	SRO/Studio Units
66	1-Bedroom Units
60	2-Bedroom Units
144	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14	SRO/Studio	50%	48%	$778
7	1 Bedroom	50%	49%	$851
23	2 Bedrooms	50%	48%	$1,014
26	1 Bedroom	50%	49%	$846
4	SRO/Studio	60%	49%	$800
3	1 Bedroom	60%	51%	$895
35	2 Bedrooms	60%	53%	$1,103
30	1 Bedroom	60%	52%	$914
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$22,592,250
Construction Costs	$0
Rehabilitation Costs	$14,714,003
Construction Contingency	$2,207,100
Relocation	$1,366,163
Architectural/Engineering	$1,122,900
Construction Interest, Perm Financing	$3,271,245
Legal Fees, Appraisals	$87,500
Reserves	$710,819
Other Costs	$1,097,630
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$49,669,610**

Project Financing

Estimated Total Project Cost:	$49,669,610
Estimated Residential Project Cost:	$49,669,610

Residential

Construction Cost Per Square Foot:	$144
Per Unit Cost:	$344,928

Construction Financing

Source	Amount
Wells Fargo	$29,476,000
City of Pinole RDA - Recast	$2,818,934
Contra Costa - HOME/CDBG	$2,000,000
Seller Carryback Loan	$9,722,067
Accrued/Deferred Interest	$658,740
Costs Deferred til Perm Closing	$1,875,188
Existing Reserves	$405,475
Deferred Developer Fee	$839,251
Tax Credit Equity	$1,873,955

Permanent Financing

Source	Amount
Wells Fargo	$6,662,000
City of Pinole RDA - Recast	$2,818,934
Contra Costa - HOME/CDBG	$2,000,000
Seller Caryback Loan	$9,722,067
Accrued/Deferred Interest	$658,740
General Partner Loan	$5,000,000
Existing Reserves	$405,475
Net Operating Income	$744,224
Deferred Developer Fee	$839,251
PV Tax Credit Equity	$47,438
GP Equity	$860,749
Tax Credit Equity	$19,910,732
TOTAL	**$49,669,610**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$23,283,159
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$21,302,960
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$30,268,107
Qualified Basis (Acquisition):	$21,302,960
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$998,848
Maximum Annual Federal Credit, Acquisition:	$702,998
Total Maximum Annual Federal Credit:	$1,701,846
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	$1.16995

Per Regulation Section 10322(h)(9)(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:	$44,586,119
Actual Eligible Basis:	$44,586,119
Unadjusted Threshold Basis Limit:	$35,539,464
Total Adjusted Threshold Basis Limit:	$52,953,801

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: 49%

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 3.30% 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 applicant received and was granted a partial waiver to the accessibility requirements for the minimum construction standards of TCAC Regulation Section 10325(f)(7)(K). Specifically, five percent (5%) of the units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the movement of load-bearing walls or electric panels or that necessitate site regrading to secure an accessible path of travel. An additional five percent (5%) of the units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the movement of walls or other structural modifications.

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expired 12/31/2053. The existing regulatory agreement income targeting is 142 units at 60% AMI.

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
$1,701,846	**$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 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).