

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 20, 2016

Miraflores Senior Apartments, located at Northeast Corner of South 45th and Florida Streets in Richmond, requested and is being recommended for a reservation of \$1,316,480 in annual federal tax credits to finance the new construction of 79 units of housing serving seniors with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by Eden Housing, Inc. and will be located in Senate District 9 and Assembly District 15.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the AHSC and IIG programs of HCD.

Project Number CA-16-887

Project Name Miraflores Senior Apartments
Site Address: Northeast Corner of South 45th and Florida Streets
Richmond, CA 94804 County: Contra Costa
Census Tract: 3810.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,311,459	\$0
Recommended:	\$1,311,459	\$0

Applicant Information

Applicant: Miraflores Senior L.P.
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.
Community Housing Development Corporation
of North Richmond
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc.
Community Housing Development Corporation
of North Richmond
Developer: Eden Housing, Inc.
Investor/Consultant: Community Economics
Management Agent: Eden Housing Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (79 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 16
 Number of Units @ or below 50% of area median income: 63

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: October 15, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

79 1-Bedroom Units
1 2-Bedroom Units
 80 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
16 1 Bedroom	30%	29%	\$523
23 1 Bedroom	40%	38%	\$697
40 1 Bedroom	45%	43%	\$784
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,432,275
Construction Costs	\$18,810,271
Rehabilitation Costs	\$0
Construction Contingency	\$1,035,800
Relocation	\$87,975
Architectural/Engineering	\$1,544,153
Const. Interest, Perm. Financing	\$2,237,047
Legal Fees, Appraisals	\$65,000
Reserves	\$863,694
Other Costs	\$3,110,548
Developer Fee	\$4,028,532
Commercial Costs	\$0
Total	\$38,215,294

Project Financing

Estimated Total Project Cost:	\$38,215,294
Estimated Residential Project Cost:	\$38,215,294
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$273
Per Unit Cost:	\$477,691
True Cost Per Unit Cost*:	\$412,295

Construction Financing

Source	Amount
Union Bank	\$25,000,000
City of Richmond**	\$4,899,258
Sponsor Loan (HCD - IIG)	\$2,702,225
Tax Credit Equity	\$1,379,385

Permanent Financing

Source	Amount
Union Bank - Tranche A	\$253,000
Union Bank - Tranche B	\$7,556,000
City of Richmond**	\$4,899,258
Richmond Successor Agency	\$1,500,000
HCD - AHSC	\$4,024,606
Sponsor Loan (HCD - IIG)	\$2,702,225
Deferred Developer Fee	\$1,631,705
General Partner Equity	\$776,511
Tax Credit Equity	\$14,468,789
TOTAL	\$38,215,294

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Includes a land donation amount of \$3,600,000

Determination of Credit Amount(s)

Requested Eligible Basis:	\$31,040,448
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$40,352,582
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$1,311,459
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,028,532
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.10326

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:	\$31,040,448
Actual Eligible Basis:	\$31,040,448
Unadjusted Threshold Basis Limit:	\$20,213,264
Total Adjusted Threshold Basis Limit:	\$45,707,878

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 79%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 40%

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 3.25% 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: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Richmond, has completed a site review of this project and strongly supports this project.

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
\$1,311,459	\$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 fifteen (15) 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 becoming certified under the following program:
GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated Silver standard.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.