

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 16, 2017

Piper Court Apartments, located at 101-197 Piper Court in Fairfax, requested and is being recommended for a reservation of \$590,875 in annual federal tax credits to finance the acquisition and rehabilitation of 26 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by EAH, Inc. and is located in Senate District 2 and Assembly District 10.

Project Number CA-17-777

Project Name Piper Court Apartments
 Site Address: 101 - 197 Piper Court
 Fairfax, CA 94930 County: Marin
 Census Tract: 1142.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$590,875	\$0
Recommended:	\$590,875	\$0

Applicant Information

Applicant: Piper Court Fairfax, L.P.
 Contact: Welton Jordan
 Address: 2169 E. Francisco Boulevard, Suite B
 San Rafael, CA 94901
 Phone: (415) 295-8876 Fax: (415) 295-8876
 Email: welton.jordan@eahhousing.org

General Partner(s) or Principal Owner(s): Piper Court EAH, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): EAH Inc.
 Developer: EAH Inc.
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: EAH Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 9
 Total # of Units: 27
 No. & % of Tax Credit Units: 26 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 18
 Number of Units @ or below 60% of area median income: 8

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: December 1, 2017
Credit Enhancement: N/A

Information

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

Unit Mix

18 2-Bedroom Units
9 3-Bedroom Units

27 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16 2 Bedrooms	50%	50%	\$1,481
2 3 Bedrooms	50%	50%	\$1,711
1 2 Bedrooms	60%	60%	\$1,777
7 3 Bedrooms	60%	60%	\$2,053
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$13,321,605

Project Cost Summary at Application

Land and Acquisition	\$7,856,785
Construction Costs	\$0
Rehabilitation Costs	\$4,842,518
Construction Contingency	\$474,757
Relocation	\$355,000
Architectural/Engineering	\$447,230
Const. Interest, Perm. Financing	\$864,646
Legal Fees, Appraisals	\$96,000
Reserves	\$135,966
Other Costs	\$209,737
Developer Fee	\$2,108,586
Commercial Costs	\$0
Total	\$17,391,225

Project Financing

Estimated Total Project Cost:	\$17,391,225
Estimated Residential Project Cost:	\$17,391,225
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$196
Per Unit Cost:	\$644,119
True Cash Per Unit Cost*:	\$573,431

Construction Financing

Source	Amount
Citibank	\$12,200,000
Marin County Housing Trust Fund	\$684,875
EAH, Inc. Loan	\$2,358,757
Deferred Developer Fee	\$1,908,586
Tax Credit Equity	\$208,138

Permanent Financing

Source	Amount
Citibank	\$3,088,900
Marin County Housing Trust Fund	\$684,875
CDBG and HOME Loan	\$378,103
EAH, Inc. Loan	\$2,358,757
EAH Sponsor Perm Loan	\$3,288,693
Income from Operations	\$143,057
Deferred Developer Fee	\$1,908,586
Tax Credit Equity	\$5,540,254
TOTAL	\$17,391,225

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,269,051
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$8,731,010
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,449,766
Qualified Basis (Acquisition):	\$8,731,010
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$307,117
Maximum Annual Federal Credit, Acquisition:	\$283,758
Total Maximum Annual Federal Credit:	\$590,875
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,108,586
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.93764

Per Regulation Section 10327(c)(6), 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:	\$16,000,061
Actual Eligible Basis:	\$16,165,828
Unadjusted Threshold Basis Limit:	\$9,257,472
Total Adjusted Threshold Basis Limit:	\$16,000,063

Adjustments to Basis Limit

Environmental Mitigation
 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 69%

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, Town of Fairfax, 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
\$590,875	\$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: None.