

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-859

Project Name Eden Issei Terrace
 Site Address: 200 Fagundes St
 Hayward, CA 94544 County: Alameda
 Census Tract: 4366.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$660,393	\$1,324,831
Recommended:	\$660,393	\$1,324,831

Applicant Information

Applicant: Eden Housing, Inc.
 Contact: Linda Mandolini
 Address: 22645 Grand St
 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: California Housing Partnership Corporation
 Management Agent: Eden Housing Management, Inc

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 100
 No. & % of Tax Credit Units: 98 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD project-based Section 8 Contract (98 Units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	10	10 %
40% AMI:	20	20 %
50% AMI:	68	40 %

Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 10
 Number of Units @ or below 50% of area median income: 88

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 01/23/13
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

25 SRO/Studio Units
 74 1-Bedroom Units
 1 2-Bedroom Units

 100 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>
5 SRO/Studio	30%	30%	\$491
5 1 Bedroom	30%	30%	\$525
10 SRO/Studio	40%	40%	\$655
10 1 Bedroom	40%	40%	\$701
10 SRO/Studio	50%	50%	\$818
58 1 Bedroom	50%	50%	\$876
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,050
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,300

Project Financing

Estimated Total Project Cost: \$22,931,529
 Estimated Residential Project Cost: \$22,931,529

Residential

Construction Cost Per Square Foot: \$71
 Per Unit Cost: \$229,315

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$12,994,078
Seller Note	\$3,623,509
Existing Reserves	\$548,284
Accrued Interest	\$76,063
General Partner Equity	\$2,616,781
Deferred Costs	\$887,422
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$1,585,392

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$7,602,471
Seller Note	\$3,623,509
Existing Reserves	\$548,284
Operating Income	\$30,000
Accrued Interest	\$76,063
General Partner Equity	\$2,616,781
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$7,834,421

TOTAL \$22,931,529

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,191,005
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$10,446,290
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,191,005
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$10,446,290
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$326,112
Maximum Annual Federal Credit, Acquisition:	\$334,281
Total Maximum Annual Federal Credit:	\$660,393
Total State Credit:	\$1,324,831
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,822,227
Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.03764
State Tax Credit Factor:	\$0.74117

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:	\$20,637,295
Actual Eligible Basis:	\$20,637,295
Unadjusted Threshold Basis Limit:	\$23,646,542
Total Adjusted Threshold Basis Limit:	\$49,421,273

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: 89%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

Tie-Breaker Information

Final: N/A

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: TCAC staff was unable to identify the number of washers and dryers available. TCAC Regulation Section 10325(g)(2)(I) requires adequate laundry facilities shall be available on the project premises, with no fewer than one washer/dryer per 15 units. To the extent that tenants will be charged for the use of central laundry facilities, washers and dryers must be excluded from eligible basis. If no centralized laundry facilities are provided, washers and dryers shall be provided in each of the units subject to the further provision that gas connections for dryers shall be provided where gas is otherwise available at the property.

The applicant is funding a 20% cost contingency. This is due to costs involved with limited prior rehabilitation to the property, termite infestation, and sewer system work. Based on pre-construction inspections the applicant feels this higher contingency is necessary to proceed.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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
\$660,393	\$1,324,831

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	14	14
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	0
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	0
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	0
Sustainable Building Methods	10	0	0
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	0
Readiness to Proceed	20	20	20
Total Points	126	115	103

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.