

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 18, 2015**

**Project Number** CA-15-808

**Project Name** Edgewater Isle Rehabilitation  
 Site Address: 1490 Miramar, 1500 Marina Vista, and 1510 Marina Vista  
 San Mateo, CA 94404 County: San Mateo  
 Census Tract: 6079.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,325,047	\$0
Recommended:	\$1,325,047	\$0

**Applicant Information**

Applicant: Edgewater Isle Associates, L.P.  
 Contact: Kate Comfort Harr  
 Address: 364 S. Railroad Ave.  
 San Mateo, CA 94401  
 Phone: (650) 348-6660 Fax: (650) 348-0284  
 Email: kcomfort@hiphousing.org

General Partner(s) or Principal Owner(s): HIP Housing Development Corporation, Inc.  
 General Partner Type: Nonprofit  
 Parent Company(ies): HIP Housing Development Corporation, Inc.  
 Developer: Human Investment Project, Inc.  
 Consultant: Community Economics  
 Management Agent: Westlake Realty Group, Inc

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 2  
 Total # of Units: 92  
 No. & % of Tax Credit Units: 91 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (91 units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 65  
 Number of Units @ or below 60% of area median income: 26

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: March 18, 2015  
 Credit Enhancement: None

**Information**

Housing Type: Seniors  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

92 1-Bedroom Units  
 92 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
65 1 Bedroom	50%	50%	\$1,038
26 1 Bedroom	60%	60%	\$1,245
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$37,983,023  
 Estimated Residential Project Cost: \$37,983,023

**Residential**

Construction Cost Per Square Foot: \$149  
 Per Unit Cost: \$412,859

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$21,336,900
City of San Mateo	\$4,034,296
Accrued Deferred Interest	\$117,398
Seller Carryback Note	\$7,832,719
Accrued Deferred Interest	\$227,932
Income During Operations	\$539,439
General Partner Contributions	\$299,766
Tax Credit Equity	\$1,430,882

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$9,594,400
City of San Mateo	\$4,034,296
Accrued Deferred Interest	\$117,398
Seller Carryback Note	\$7,141,129
Accrued Deferred Interest	\$227,932
Income During Operations	\$539,439
General Partner Contributions	\$3,049,765
Tax Credit Equity	\$13,278,664
<b>TOTAL</b>	<b>\$37,983,023</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$16,642,174
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,801,100
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,634,826
Qualified Basis (Acquisition):	\$17,801,100
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$726,930
Maximum Annual Federal Credit, Acquisition:	\$598,117
Total Maximum Annual Federal Credit:	\$1,325,047
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.00213

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:	\$34,443,274
Actual Eligible Basis:	\$34,443,274
Unadjusted Threshold Basis Limit:	\$23,490,544
Total Adjusted Threshold Basis Limit:	\$40,168,830

**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: 71%

**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 3.36% 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:** None

**Local Reviewing Agency:**

The Local Reviewing Agency, City of San Mateo, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,325,047</b>	<b>\$0</b>

**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 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).