

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 21, 2015

Las Palmas Apartments, located at 15370 & 15375 Tropic Court in San Leandro, CA, requested and is being recommended for a reservation of \$998,635 in annual federal tax credits to finance the acquisition and rehabilitation of 77 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 will be located in Senate District 9 and Assembly District 18.

Las Palmas Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Las Palmas Apartments (CA-00-851).

Project Number CA-15-906

Project Name Las Palmas Apartments
Site Address: 15370 & 15375 Tropic Court
San Leandro, CA 94579 County: Alameda
Census Tract: 4336.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$998,635	\$0
Recommended:	\$998,635	\$0

Applicant Information

Applicant: LPSL, LP
Contact: Linda Mandolini
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510.582.1460
Email: lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s): LPSL 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 & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 91
 No. & % of Tax Credit Units: 77 85.56%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 24
 Number of Units @ or below 60% of area median income: 53

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 20, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

44 1-Bedroom Units
 46 2-Bedroom Units
 1 3-Bedroom Units

 91 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 1 Bedroom	50%	50%	\$871
10 2 Bedrooms	50%	50%	\$1,046
26 1 Bedroom	60%	59%	\$1,024
26 2 Bedrooms	60%	56%	\$1,162
1 3 Bedrooms	60%	46%	\$1,120
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
4 1 Bedroom	Market Rate Unit	Market Rate Unit	\$990
9 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,119

Project Cost Summary at Application

Land and Acquisition	\$15,909,325
Construction Costs	\$0
Rehabilitation Costs	\$7,772,060
Construction Contingency	\$1,177,585
Relocation	\$1,610,000
Architectural/Engineering	\$1,020,000
Construction Interest, Perm Financing	\$1,759,366
Legal Fees, Appraisals	\$72,500
Reserves	\$341,684
Other Costs	\$975,726
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$33,138,246

Project Financing

Estimated Total Project Cost:	\$33,138,246
Estimated Residential Project Cost:	\$33,138,246

Residential

Construction Cost Per Square Foot:	\$134
Per Unit Cost:	\$364,157

Construction Financing

Source	Amount
Chase Bank	\$22,901,000
City of San Leandro HOME (Assumed)	\$1,109,235
City of San Leandro (Assumed)	\$57,223
Accrued/Deferred Interest	\$195,498
Seller Take Back Loan	\$5,766,115
Existing Reserves	\$290,989
Costs Deferred until Perm.	\$748,681
Deferred Developer Fee	\$1,043,243
Tax Credit Equity	\$1,026,262

Permanent Financing

Source	Amount
Chase Bank	\$5,770,000
NCCLF - BAMCAP*	\$910,000
City of San Leandro HOME (Assumed)	\$1,109,235
City of San Leandro (Assumed)	\$57,223
Accrued/Deferred Interest	\$195,498
Seller Take Back Loan	\$5,766,115
Eden Perm Loan	\$5,000,000
Existing Reserves	\$290,989
Income from Operations	\$714,535
Deferred Developer Fee	\$1,043,243
General Partner Equity	\$656,757
Energy Tax Credits	\$120,750
Tax Credit Equity	\$11,503,901
TOTAL	\$33,138,246

*Northern California Community Loan Fund - Bay area Multifamily Capital Advance Program

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$14,267,340
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,013,930
Applicable Fraction:	85.10%
Qualified Basis (Rehabilitation):	\$15,783,365
Qualified Basis (Acquisition):	\$14,478,311
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$520,851
Maximum Annual Federal Credit, Acquisition:	\$477,784
Total Maximum Annual Federal Credit:	\$998,635
Approved Developer Fee (in Project Cost & Eligible Basis)	\$2,500,000
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.15196

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:	\$31,281,270
Actual Eligible Basis:	\$31,281,270
Unadjusted Threshold Basis Limit:	\$24,791,776
Total Adjusted Threshold Basis Limit:	\$31,932,973

Adjustments to Basis Limit:

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Environmental Mitigation

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 26%

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 meet 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:

Las Palmas Apartments is a 91-unit multifamily garden style low-rise project located at 15370 and 15375 Tropic Court in San Leandro. Currently 69 of the 91 units are restricted as low-income units. The proposed rehabilitation would increase the low-income units from 69 to 77.

Local Reviewing Agency:

The Local Reviewing Agency, the City of San Leandro, 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
\$998,635	\$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 ten (10) 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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- 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 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).