

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**March 16, 2016**

Glen Berry + Glen Eden - Scattered-Site, located at 625 Berry Ave. and 561 A Street in Hayward, requested and is being recommended for a reservation of \$937,138 in annual federal tax credits to finance the acquisition and rehabilitation of 84 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 10 and Assembly District 20.

Glen Berry + Glen Eden - Scattered-Site is a re-syndication of existing Low Income Housing Tax Credit (LIHTC) projects, Glen Berry (CA-92-064) and Glen Eden (CA-91-077). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project financing includes state funding from RHCP program of HCD.

**Project Number** CA-16-828

**Project Name** Glen Berry + Glen Eden - Scattered-Site

Site Address:	<u>Glen Berry</u> 625 Berry Ave. Hayward, CA 94544	<u>Glen Eden</u> 561 A Street Hayward, CA 94541
Census Tract:	4365.000	4363.000
County:	Alameda	

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$937,138	\$0
Recommended:	\$937,138	\$0

**Applicant Information**

Applicant: GBGEH, L.P.  
Contact: Linda Mandolini  
Address: 22645 Grand Street  
Hayward, CA 94541  
Phone: 510-582-1460 Fax: 510-582-0122  
Email: lmandolini@edenhousing.org

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

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 4  
 Total # of Units: 86  
 No. & % of Tax Credit Units: 84 100.00%  
 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 35% of area median income: 28  
 Number of Units @ or below 50% of area median income: 10  
 Number of Units @ or below 60% of area median income: 46

**Bond Information**

Issuer: City of Hayward  
 Expected Date of Issuance: June 1, 2016  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

12 1-Bedroom Units  
 24 2-Bedroom Units  
 47 3-Bedroom Units  
 3 4-Bedroom Units  


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 86 Total Units

<u>Unit Type &amp; 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>
<u>Glen Berry</u>			
11 2 Bedrooms	35%	35%	\$732
5 3 Bedrooms	35%	33%	\$797
5 3 Bedrooms	50%	45%	\$1,088
6 2 Bedrooms	60%	52%	\$1,080
19 3 Bedrooms	60%	53%	\$1,280
3 4 Bedrooms	60%	50%	\$1,358
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

<u>Unit Type &amp; 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>
<u>Glen Eden</u>			
4 1 Bedroom	35%	34%	\$594
2 2 Bedrooms	35%	33%	\$690
6 3 Bedrooms	35%	29%	\$707
2 1 Bedroom	50%	40%	\$692
1 2 Bedrooms	50%	47%	\$982
2 3 Bedrooms	50%	49%	\$1,193
6 1 Bedroom	60%	53%	\$918
3 2 Bedrooms	60%	50%	\$1,046
9 3 Bedrooms	60%	51%	\$1,223
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$11,401,121
Construction Costs	\$0
Rehabilitation Costs	\$7,487,396
Construction Contingency	\$1,143,892
Relocation	\$172,000
Architectural/Engineering	\$835,862
Const. Interest, Perm. Financing	\$1,302,176
Legal Fees, Appraisals	\$86,146
Reserves	\$311,579
Other Costs	\$673,594
Developer Fee	\$3,225,619
Commercial Costs	\$331,548
<b>Total</b>	<b>\$26,970,933</b>

**Project Financing**

Estimated Total Project Cost:	\$26,970,933
Estimated Residential Project Cost:	\$26,589,467
Estimated Commercial Project Cost	\$381,466

**Residential**

Construction Cost Per Square Foot:	\$76
Per Unit Cost:	\$309,180

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$14,821,819
HCD - RHCP*	\$4,241,562
City of Hayward - CDBG*	\$507,416
City of Hayward - HOME*	\$710,627
HCD - RHCP**	\$3,765,645
City of Hayward - CDBG**	\$699,764
Accrued/Deferred Interest	\$271,869
Costs Deferred until Permanent	\$635,833
Deferred Developer Fee	\$341,817
Tax Credit Equity	\$974,581

**Permanent Financing**

Source	Amount
CCRC	\$2,698,000
HCD - RHCP*	\$4,241,562
City of Hayward - CDBG*	\$507,416
City of Hayward - HOME*	\$710,627
HCD - RHCP**	\$3,765,645
City of Hayward - CDBG**	\$699,764
Accrued/Deferred Interest	\$271,869
Eden Permanent Loan	\$399,590
General Partner Equity	\$1,942,774
Income from Operations	\$386,055
Deferred Developer Fee	\$341,817
PV Tax Credits	\$173,881
Tax Credit Equity	\$10,831,933
<b>TOTAL</b>	<b>\$26,970,933</b>

\* Glen Berry - Assumed/Recasted

\*\* Glen Eden - Assumed/Recasted

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$12,513,211
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$12,130,937
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$16,267,174
Qualified Basis (Acquisition):	\$12,130,937
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$536,817
Maximum Annual Federal Credit, Acquisition:	\$400,321
Total Maximum Annual Federal Credit:	\$937,138
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,225,619
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.15585

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:	\$24,644,148
Actual Eligible Basis:	\$24,644,148
Unadjusted Threshold Basis Limit:	\$29,122,256
Total Adjusted Threshold Basis Limit:	\$57,370,844

**Adjustments to Basis Limit**

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 11%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 66%

**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 3.30% 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**

This project involves the substantial rehabilitation of a scattered-site projects (2 sites) in the city of Hayward. Furthermore, each site has its own utility allowance.

To be eligible for a new award of tax credits for Glen Berry, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreements expire December 31, 2048. The existing regulatory agreement income targeting is 49 units at or below 100% of area median income (AMI) do not exceed 51% of the AMI.

To be eligible for a new award of tax credits for Glen Eden, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreements expire December 31, 2048. The existing regulatory agreement income targeting is 35 units at or below 60% area median income (AMI) such that the tenants of the project average income does not exceed 51% of AMI.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus received a waiver from setting aside a Short Term Work Capitalized Replacement

The applicant requested and has been granted a partial waiver from the requirement that ten percent (10%) of units provide mobility accessibility in conformance with TCAC Regulation Section 10325(f)(7)(K) and Chapter 11(B) of the California Building Code. 10% of the units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the modification of post-tensioned slabs or the podium slab or the movement of load-bearing walls or electrical panels, provided that the local building official grants a corresponding hardship waiver.

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$937,138</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:** None.