

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 16, 2016**

Mackey Terrace, located at 626 Owens Drive in Novato, requested and is being recommended for a reservation of \$857,133 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by EAH, Inc. and is located in Senate District 2 and Assembly District 10.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

**Project Number** CA-16-832

**Project Name** Mackey Terrace  
 Site Address: 626 Owens Drive  
 Novato, CA 94949 County: Marin  
 Census Tract: 1041.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$857,133	\$0
Recommended:	\$857,133	\$0

**Applicant Information**

Applicant: Mackey Terrace EAH LP  
 Contact: Errol Dominguez  
 Address: 2169 E. Francisco Blvd., Suite B  
 San Rafael, CA 94901  
 Phone: 415-295-8855 Fax: 415-295-8855  
 Email: errol.dominguez@eahhousing.org

General Partner(s) or Principal Owner(s): Mackey Terrace 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: 1  
 Total # of Units: 50  
 No. & % of Tax Credit Units: 49 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (49 units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 49

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: June 15, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

12 SRO/Studio Units  
 37 1-Bedroom Units  
 1 2-Bedroom Units  


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 50 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>
12 SRO/Studio	50%	50%	\$1,026
37 1 Bedroom	50%	50%	\$1,099
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,541

**Project Cost Summary at Application**

Land and Acquisition	\$13,524,850
Construction Costs	\$0
Rehabilitation Costs	\$4,156,010
Construction Contingency	\$851,202
Relocation	\$425,000
Architectural/Engineering	\$436,182
Const. Interest, Perm. Financing	\$1,038,815
Legal Fees, Appraisals	\$236,000
Reserves	\$550,240
Other Costs	\$927,776
Developer Fee	\$3,071,740
Commercial Costs	\$0
<b>Total</b>	<b>\$25,217,815</b>

**Project Financing**

Estimated Total Project Cost:	\$25,217,815
Estimated Residential Project Cost:	\$25,217,815

**Residential**

Construction Cost Per Square Foot:	\$120
Per Unit Cost:	\$504,356

**Construction Financing**

Source	Amount
Union Bank	\$15,933,000
Seller Carryback	\$6,464,447
Accrued/Deferred Interest	\$256,854
Withdrawal from Project Reserves	\$90,015
Deferred Developer Fee	\$571,740
Tax Credit Equity	\$854,989

**Permanent Financing**

Source	Amount
Union Bank - Tranche A	\$1,861,000
Union Bank - Tranche B	\$6,257,000
Seller Carryback	\$6,464,447
Accrued/Deferred Interest	\$256,854
Withdrawal from Project Reserves	\$90,015
Income from Operations	\$221,870
Deferred Developer Fee	\$571,740
Tax Credit Equity	\$9,494,889
<b>TOTAL</b>	<b>\$25,217,815</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$8,079,072
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,470,934
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,502,794
Qualified Basis (Acquisition):	\$15,470,934
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$346,592
Maximum Annual Federal Credit, Acquisition:	\$510,541
Total Maximum Annual Federal Credit:	\$857,133
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,071,740
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.10775

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:	\$23,550,006
Actual Eligible Basis:	\$23,550,006
Unadjusted Threshold Basis Limit:	\$11,219,818
Total Adjusted Threshold Basis Limit:	\$23,561,618

**Adjustments to Basis Limit**

- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

**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:** None.

**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>\$857,133</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 provide the tenants with the following service amenities free of charge for a minimum of ten (15) 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:

- Contract with a full time equivalent bona fide service coordinator

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 project will commit to having a parking ratio equivalent to or less than 1 parking stall per single room occupancy or one-bedroom restricted rental unit and 1.5 parking stalls per two-bedroom or larger restricted unit.