

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 16, 2016

REVISED

Walnut Place, located at 600 A Street in Point Reyes Station, requested and is being recommended for a reservation of \$457,991 in annual federal tax credits to finance the acquisition and rehabilitation of 24 units of housing serving seniors with rents affordable to households earning 35-50% 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-16-833

Project Name Walnut Place
Site Address: 600 A Street
Point Reyes Station, CA 94956 County: Marin
Census Tract: 1033.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$457,991	\$0
Recommended:	\$457,991	\$0

Applicant Information

Applicant: Walnut Place 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): Walnut Place 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: 25
 No. & % of Tax Credit Units: 24 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (24 units - 100%)
 HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 6
 Number of Units @ or below 50% of area median income: 18

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: Zhuo Chen

Unit Mix

14 SRO/Studio Units
 10 1-Bedroom Units
 1 2-Bedroom Units

 25 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 SRO/Studio	35%	35%	\$718
3 1 Bedroom	35%	35%	\$769
11 SRO/Studio	50%	50%	\$1,026
7 1 Bedroom	50%	50%	\$1,099
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,174

Project Cost Summary at Application

Land and Acquisition	\$5,414,924
Construction Costs	\$0
Rehabilitation Costs	\$3,092,003
Construction Contingency	\$785,501
Relocation	\$325,000
Architectural/Engineering	\$422,401
Construction Interest, Perm Financing	\$529,999
Legal Fees, Appraisals	\$175,200
Reserves	\$253,892
Other Costs	\$601,995
Developer Fee	\$1,570,457
Commercial Costs	\$0
Total	\$13,171,372

Project Financing

Estimated Total Project Cost:	\$13,171,372
Estimated Residential Project Cost:	\$13,171,372

Residential

Construction Cost Per Square Foot:	\$181
Per Unit Cost:	\$526,855

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank - Tax-Exempt Bonds	\$7,000,000
County of Marin - HOME	\$179,696
Seller Carryback Loan	\$3,518,217
Accrued/Deferred Interest	\$139,790
Withdrawal from Project Reserves	\$127,481
Deferred Developer Fee	\$730,581
Net Tax Credit Equity	\$398,790

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank - Tax-Exempt Bonds	\$2,167,000
County of Marin - HOME	\$179,696
Sponsor Perm Loan	\$1,322,000
Seller Carryback Loan	\$3,518,217
Accrued/Deferred Interest	\$139,790
Withdrawal from Project Reserves	\$127,481
Income from Operations	\$53,706
Deferred Developer Fee	\$730,581
Tax Credit Equity	\$4,932,901
TOTAL	\$13,171,372

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,127,823
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,912,345
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,966,170
Qualified Basis (Acquisition):	\$5,912,345
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$262,884
Maximum Annual Federal Credit, Acquisition:	\$195,107
Total Maximum Annual Federal Credit:	\$457,991
Approved Developer Fee in Project Cost:	\$1,570,457
Approved Developer Fee in Eligible Basis:	\$1,570,456
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.07707

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:	\$12,040,168
Actual Eligible Basis:	\$12,040,168
Unadjusted Threshold Basis Limit:	\$5,388,720
Total Adjusted Threshold Basis Limit:	\$12,751,492

Adjustments to Basis Limit

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

- Community gardens of at least 60 square feet per unit
- Seismic Upgrading
- 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: 75%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 50%

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: N/A

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
\$457,991	\$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 fifteen (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 / 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 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 rental unit.