

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**August 17, 2016**

Park Place Apartments, located at 16480 Del Monte Avenue in Morgan Hill, requested and is being recommended for a reservation of \$1,723,595 in annual federal tax credits to finance the acquisition and rehabilitation of 110 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by EAH Inc. and is located in Senate District 17 and Assembly District 30.

Park Place Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Village Avante Apartments (CA-99-804). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

**Project Number** CA-16-917

**Project Name** Park Place Apartments  
 Site Address: 16480 Del Monte Avenue  
 Morgan Hill, CA 95037 County: Santa Clara  
 Census Tract: 5123.130

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,723,595	\$0
Recommended:	\$1,723,595	\$0

**Applicant Information**

Applicant: EAH Park Place, L.P.  
 Contact: Errol Dominguez  
 Address: 2169 E. Francisco Blvd., Ste. 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): EAH Park Place, 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: 29  
 Total # of Units: 112  
 No. & % of Tax Credit Units: 110 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-based Contract (10 units - 9%)  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 3  
 Number of Units @ or below 50% of area median income: 86  
 Number of Units @ or below 60% of area median income: 21

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: October 20, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

8 2-Bedroom Units  
 39 3-Bedroom Units  
 48 4-Bedroom Units  
 17 5-Bedroom Units  


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 112 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 3 Bedrooms	30%	30%	\$871
1 4 Bedrooms	30%	30%	\$971
1 5 Bedrooms	30%	30%	\$1,072
6 2 Bedrooms	50%	38%	\$944
25 3 Bedrooms	50%	45%	\$1,307
42 4 Bedrooms	50%	46%	\$1,480
13 5 Bedrooms	50%	43%	\$1,537
2 2 Bedrooms	60%	54%	\$1,357
12 3 Bedrooms	60%	55%	\$1,606
4 4 Bedrooms	60%	57%	\$1,850
3 5 Bedrooms	60%	54%	\$1,941
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$21,563,638
Construction Costs	\$0
Rehabilitation Costs	\$12,716,163
Construction Contingency	\$1,907,424
Relocation	\$3,529,470
Architectural/Engineering	\$731,729
Const. Interest, Perm. Financing	\$1,977,997
Legal Fees, Appraisals	\$124,000
Reserves	\$678,214
Other Costs	\$810,939
Developer Fee	\$6,067,541
Commercial Costs	\$0
<b>Total</b>	<b>\$50,107,115</b>

**Project Financing**

Estimated Total Project Cost:	\$50,107,115
Estimated Residential Project Cost:	\$50,107,115
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$92
Per Unit Cost:	\$447,385
True Cash Per Unit Cost*:	\$332,321

**Construction Financing**

Source	Amount
Union Bank - TE Bonds	\$26,000,000
City of Morgan Hill (Assumed)	\$1,542,216
City of Morgan Hill (Assumed)	\$1,038,526
Santa Clara County HOME (Assumed)	\$1,369,095
Seller Carryback Loan	\$9,419,590
Accrued Interest	\$568,201
Withdrawal from Project Reserves	\$110,602
Net Operating Income	\$418,977
Deferred Developer Fee	\$3,467,541
Tax Credit Equity	\$3,595,633

**Permanent Financing**

Source	Amount
Union Bank - TE Bonds Tranche A	\$9,472,000
Union Bank - TE Bonds Tranche B	\$3,501,000
City of Morgan Hill (Assumed)	\$1,542,216
City of Morgan Hill (Assumed)	\$1,038,526
Santa Clara County HOME (Assumed)	\$1,369,095
Seller Carryback Loan	\$9,419,590
Accrued Interest	\$568,201
Withdrawal from Project Reserves	\$110,602
Net Operating Income	\$418,977
Deferred Developer Fee	\$3,467,541
GP Equity	\$100
Tax Credit Equity	\$19,199,267
<b>TOTAL</b>	<b>\$50,107,115</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$21,719,628
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$24,798,184
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$28,235,516
Qualified Basis (Acquisition):	\$24,798,184
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$917,654
Maximum Annual Federal Credit, Acquisition:	\$805,941
Total Maximum Annual Federal Credit:	\$1,723,595
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,067,541
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.11391

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:	\$46,517,812
Actual Eligible Basis:	\$46,517,812
Unadjusted Threshold Basis Limit:	\$43,610,668
Total Adjusted Threshold Basis Limit:	\$79,371,416

**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: 78%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 4%

**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 exceeds 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 3.25% 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**

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% due to excessive expensiveness. The project shall provide 5% of units (i.e. 6 units) meeting the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use.

To be eligible for a new award of tax credits, 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 01/01/2000 through 12/31/2014. The existing regulatory agreement expires 12/31/2029. The existing regulatory agreement income targeting is 40% of units at or below 60% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of \$886,550. In lieu of a Short Term Work Capitalized Reserve, the applicant is allowed to use the Short Term Work Reserve Amount of \$886,550 to fund rehabilitation expenses. The \$886,550 is excluded from eligible basis.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Morgan Hill, 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>\$1,723,595</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.