CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018
REVISED

Charles Apartments + Cypress Gardens; Scattered-Site, located at 3109 Seacrest Avenue and 3135 Seacrest Avenue in Marina, requested and is being recommended for a reservation of $3,072,291 in annual federal tax credits to finance the acquisition and rehabilitation of 189 units of housing serving tenants with rents affordable to households earning 50%-80% of area median income (AMI). The project will be developed by Eden Housing, Incorporated and is located in Senate District 17 and Assembly District 29.

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

Project Number CA-18-766

Project Name Charles Apartments + Cypress Gardens; Scattered-Site

	Charles Apartments	**Cypress Gardens**
Site Address:	3109 Seacrest Avenue Marina, CA 93933	3135 Seacrest Avenue Marina, CA 93933
Census Tract:	142.02	142.02
County:	Monterey	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,072,291	$0
Recommended:	$3,072,291	$0

Applicant Information

Applicant:	Charles Cypress, L.P.
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):	Charles Cypress, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	US Bank
Management Agent:	Eden Housing Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	48
Total # of Units:	201
No. / % of Low Income Units:	189 95%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (8 Units - 4%)

Bond Information

Issuer:	California Municipal Finance Agency
Expected Date of Issuance:	August 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	128	68%
At or Below 60% AMI:	28	15%
At or Below 80% AMI:	33	17%

Unit Mix

16	1-Bedroom Units
90	2-Bedroom Units
61	3-Bedroom Units
34	4-Bedroom Units
201	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	2 Bedrooms	50%	35%	$662
5	3 Bedrooms	50%	33%	$723
16	1 Bedroom	50%	49%	$763
55	2 Bedrooms	50%	49%	$921
5	2 Bedrooms	50%	35%	$662
31	3 Bedrooms	50%	33%	$723
11	4 Bedrooms	50%	32%	$786
2	5 Bedrooms	50%	33%	$877
9	2 Bedrooms	60%	59%	$1,104
1	2 Bedrooms	60%	32%	$605
9	3 Bedrooms	60%	47%	$1,027
7	4 Bedrooms	60%	44%	$1,061
2	5 Bedrooms	60%	46%	$1,221
13	2 Bedrooms	80%	60%	$1,128
1	2 Bedrooms	80%	52%	$983
12	3 Bedrooms	80%	38%	$824
6	4 Bedrooms	80%	46%	$1,104
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
2	2 Bedrooms	Market Rate Unit	Market Rate Unit	$1,093
3	3 Bedrooms	Market Rate Unit	Market Rate Unit	$881
4	4 Bedrooms	Market Rate Unit	Market Rate Unit	$1,201
1	5 Bedrooms	Market Rate Unit	Market Rate Unit	$1,174

TCAC-confirmed Projected Lifetime Rent Benefit: $74,266,500

Project Cost Summary at Application

Land and Acquisition	$38,257,500
Construction Costs	$0
Rehabilitation Costs	$27,383,571
Construction Contingency	$4,190,634
Relocation	$3,200,000
Architectural/Engineering	$1,700,000
Const. Interest, Perm. Financing	$7,522,853
Legal Fees, Appraisals	$139,400
Reserves	$695,406
Other Costs	$4,257,679
Developer Fee	$11,311,140
Commercial Costs	$0
Total	**$98,658,183**

Residential

Construction Cost Per Square Foot:	$136
Per Unit Cost:	$490,837
True Cash Per Unit Cost*:	$333,053

Construction Financing

Source	Amount
JP Morgan Chase	$53,913,973
Seller Acquisition Loan	$27,403,472
Accrued Deferred Interest	$2,411,506
Property Reserves	$2,653,472
Deferred Costs	$1,471,306
Deferred Developer Fee	$4,311,140
General Partner Contribution	$5,000,000
Tax Credit Equity	$1,493,314

Permanent Financing

Source	Amount
JP Morgan Chase	$9,144,000
Seller Acquisition Loan	$27,403,472
Accrued Deferred Interest	$2,411,506
Property Reserves	$2,653,472
Income from Operations	$1,368,408
Property Tax Refund	$434,900
Deferred Developer Fee	$4,311,140
General Partner Loan	$5,000,000
General Partner Contribution	$13,500,000
Tax Credit Equity	$32,431,285
TOTAL	**$98,658,183**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$43,501,203
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$43,217,536
Applicable Fraction:	94.17%
Qualified Basis (Rehabilitation):	$53,255,340
Qualified Basis (Acquisition):	$40,698,513
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$1,741,450
Maximum Annual Federal Credit, Acquisition:	$1,330,841
Total Maximum Annual Federal Credit:	$3,072,291
Approved Developer Fee (in Project Cost & Eligible Basis)	$11,311,140
Investor/Consultant:	US Bank
Federal Tax Credit Factor:	$1.05561

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$86,718,739
Actual Eligible Basis:	$86,718,739
Unadjusted Threshold Basis Limit:	$91,195,754
Total Adjusted Threshold Basis Limit:	$149,561,037

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 64%

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 3.27% 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.

Significant Information / Additional Conditions

This scattered site project consists of two noncontiguous sites within 1 mile of each other in the City of Marina. The sites are acquisition and rehabilitation projects with an existing HUD regulatory agreement.

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 80% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

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) to 5% of the units (10 units) that are fully mobility accessible in accordance with California Building Code Chapter 11(B). In the event that the two sites are not combined in to a single project, this waiver is void. The project must continue to provide at least 4% of the units with communications features that meet the requirements of Chapter 11(B).

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Marina, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.