CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020
REVISED

Light Tree Two, located at 1805 East Bayshore Road in East Palo Alto, requested and is being recommended for a reservation of $4,028,738 in annual federal tax credits to finance the new construction of 126 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and will be located in Senate District 13 and Assembly District 24.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD Project-based Contract. The project financing includes state funding from the AHSC program of HCD.

Project Number	CA-20-512		
Project Name	Light Tree Two		
Site Address:	1805 East Bayshore Road		
	East Palo Alto, CA 94303	County:	San Mateo
Census Tract:	6119.00		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,028,738	$0
Recommended:	$4,028,738	$0

Applicant Information

Applicant:	Light Tree Two, L.P.
Contact:	Linda Mandolini
Address:	22645 Grand Street Hayward, CA 94541
Phone:	510-247-8176
Email:	lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s):	Light Tree Two, LLC EPA CAN DO
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc. East Palo Alto Community Alliance
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Eden Housing Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	128
No. / % of Low Income Units:	126 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (89 units - 70%) HUD Section 8 Project-based Contract (37 units - 29%) / CDBG

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	May 1, 2020

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	26	21%
50% AMI:	90	71%
60% AMI:	10	8%

Unit Mix

4	SRO/Studio Units
74	1-Bedroom Units
34	2-Bedroom Units
16	3-Bedroom Units
128	Total Units

	Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	30%	30%	$846
19	1 Bedroom	30%	30%	$907
3	2 Bedrooms	30%	30%	$1,088
2	3 Bedrooms	30%	30%	$1,256
14	2 Bedrooms	50%	50%	$1,813
8	3 Bedrooms	50%	50%	$2,095
2	SRO/Studio	50%	50%	$1,411
55	1 Bedroom	50%	50%	$1,511
11	2 Bedrooms	50%	50%	$1,813
5	2 Bedrooms	60%	60%	$2,176
5	3 Bedrooms	60%	60%	$2,514
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$6,282,388
Construction Costs	$61,288,331
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$9,272,469
Soft Cost Contingency	$406,379
Relocation	$2,419,000
Architectural/Engineering	$2,779,946
Const. Interest, Perm. Financing	$8,438,942
Legal Fees	$181,900
Reserves	$1,002,549
Other Costs	$2,946,629
Developer Fee	$11,376,759
Commercial Costs	$0
Total	**$106,395,292**

Residential

Construction Cost Per Square Foot:	$514
Per Unit Cost:	$831,213
True Cash Per Unit Cost*:	$742,497

Construction Financing

Source	Amount
US Bank - Tax Exempt	$55,785,000
US Bank	$28,212,853
Golden Gate Regional Center	$1,000,000
San Mateo County AHF - CDBG	$554,322
LISC - Housing Catalyst Fund	$4,000,000
AHP	$1,260,000
Seller Carryback	$1,962,851
Accrued Interest	$69,467
Costs Deferred until Conversion	$2,319,656
Deferred Developer Fee	$9,392,874
General Partner Equity	$100
Tax Credit Equity	$1,838,169

Permanent Financing

Source	Amount
Citi Bank - Tranche A	$14,133,000
Citi Bank - Tranche B	$21,043,000
Golden Gate Regional Center	$1,000,000
San Mateo County AHF - CDBG	$554,322
LISC Housing Catalyst Fund	$4,000,000
AHP	$1,260,000
HCD - AHSC	$13,651,295
Seller Carryback	$1,962,851
Accrued Interest	$69,467
Deferred Developer Fee	$9,392,874
GP Capital Contribution	$100
Tax Credit Equity	$39,328,383
TOTAL	**$106,395,292**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$95,649,045
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$124,343,759
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	$4,028,738
Approved Developer Fee (in Project Cost & Eligible Basis):	$11,376,759
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.97620

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:	$95,649,045
Actual Eligible Basis:	$95,649,045
Unadjusted Threshold Basis Limit:	$56,407,206
Total Adjusted Threshold Basis Limit:	$137,481,287

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 71%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 40%

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 meet or 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 3.24% 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 project is a portion of a 3.39 acre existing tax credit project (CA-1999-901) with a total of 94 units that will be subdivided into two separate parcels prior to closing. Once divided, this parcel (Light Tree Two) will consist of 2.22 acres, and the remaining 37 units on this site will be replaced with 128 newly constructed units. The project's new construction will provide 37 new replacement units that will be part of the 128 newly constructed units of this project. At the time of this project's construction closing, a new regulatory agreement will be executed by the applicant and TCAC. All households will have to income qualify under the new regulatory agreement.

The remaining 1.17 acre parcel (Light Tree Three) will rehabilitate the existing 57 units. Prior to the project placing in service, all lot line adjustments shall be completed followed by a Partial Termination Agreement to the existing Regulatory Agreement (CA-99-901). A new legal description will be established for the remaining parcel and the existing Regulatory Agreement (CA-99-901) will be amended to reduce to the number of units from 94 units to 57 units.

This development team plans to simultaneously develop Light Tree Two (CA-20-512) and Light Tree Three CA-20-513. The two projects will be developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). As such, the developer fees for Light Tree Two and Light Tree Three comply with the requirements for simultaneous phases.

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.