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

Light Tree Three, located at 1805 East Bayshore Road in East Palo Alto, requested and is being recommended for a reservation of $1,704,842 in annual federal tax credits to finance the acquisition and rehabilitation of 56 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 is located in Senate District 13 and Assembly District 24.

Light Tree Three is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Light Tree Apartments (CA-1999-901). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract. The project financing includes state funding from the NPLH program of HCD.

Project Number	CA-20-513	
Project Name	Light Tree Three	
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:	$1,704,842	$0
Recommended:	$1,704,842	$0

Applicant Information

Applicant:	Eden Housing, Inc. and Light Tree Three, 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 Three LLC EPA CAN DO
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc. East Palo Alto Commnity Alliance
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Eden Housing Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	57
No. / % of Low Income Units:	56 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / CDBG / HUD Project-based Contract (56 Units - 100%)

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:	17	30%
50% AMI:	30	54%
60% AMI:	9	16%

Unit Mix

14	SRO/Studio Units
20	1-Bedroom Units
16	2-Bedroom Units
7	3-Bedroom Units
57	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	SRO/Studio	30%	30%	$846
10	1 Bedroom	30%	30%	$907
7	SRO/Studio	50%	49%	$1,395
10	1 Bedroom	50%	50%	$1,511
13	2 Bedrooms	50%	50%	$1,813
2	2 Bedrooms	60%	60%	$2,176
7	3 Bedrooms	60%	60%	$2,514
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$7,538,250
Construction Costs	$0
Rehabilitation Costs	$20,304,817
Construction Hard Cost Contingency	$3,451,819
Soft Cost Contingency	$391,310
Relocation	$2,911,000
Architectural/Engineering	$1,164,649
Const. Interest, Perm. Financing	$3,140,777
Legal Fees	$181,900
Reserves	$695,515
Other Costs	$654,272
Developer Fee	$4,633,722
Commercial Costs	$0
Total	**$45,068,031**

Residential

Construction Cost Per Square Foot:	$477
Per Unit Cost:	$790,667
True Cash Per Unit Cost*:	$658,362

Construction Financing

Source	Amount
US Bank - Tax-Exempt	$24,642,500
US Bank -Taxable	$4,622,741
San Mateo County Loans	$2,509,467
San Mateo County CDBG (Assumed)	$940,460
Seller Carryback	$4,273,818
Accrued Interest	$115,293
Sponsor Loan	$70,200
Costs Deferred until Conversion	$1,361,900
Deferred Developer Fee	$3,267,607
General Partner Contribution	$2,536,414
Tax Credit Equity	$727,631

Permanent Financing

Source	Amount
CitiBank Tax-Exempt - Tranche A	$6,162,000
CitiBank Tax-Exempt - Tranche B	$6,621,000
San Mateo County Loans	$2,509,467
San Mateo County CDBG (Assumed)	$940,460
HCD-NPLH - Non-Competitive	$1,740,281
Seller Carryback	$4,273,818
Accrued Interest	$115,293
Sponsor Loan	$70,200
Deferred Developer Fee	$3,267,607
General Partner Contribution	$2,536,414
Tax Credit Equity	$16,831,491
TOTAL	**$45,068,031**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$35,525,198
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,435,842
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$46,182,757
Qualified Basis (Acquisition):	$6,435,842
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$1,496,321
Maximum Annual Federal Credit, Acquisition:	$208,521
Total Maximum Annual Federal Credit:	$1,704,842
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,633,722
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.98728

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:	$41,961,040
Actual Eligible Basis:	$41,961,040
Unadjusted Threshold Basis Limit:	$24,523,178
Total Adjusted Threshold Basis Limit:	$57,139,005

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 53%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 60%

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 an existing tax credit project (CA-1999-101) with a total of 94 units that will be subdivided into two separate parcels prior to closing. At the time of this project's construction closing, a new regulatory agreement will be executed by the applicant and TCAC.

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-99-101). A new legal description will be established for the remaining parcel and the existing Regulatory Agreement (CA-99-101) 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
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-99-101). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households remaining under this reglatory agreement determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-99-101) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section

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.