

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2022 First Round**

**June 15, 2022**

Nugent Square Apartments, located at 2361 University Avenue in East Palo Alto, requested a reservation of \$1,090,690 in annual federal tax credits, but is being recommended a reservation of \$954,550 in annual federal tax credits to finance the rehabilitation of 31 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Eden Development, Inc. and is located in Senate District 13 and Assembly District 24.

Nugent Square Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Nugent Square (CA-02-056). See **Resyndication and Resyndication Transfer Event** below for additional information.

**Project Number** CA-22-037

**Project Name** Nugent Square Apartments  
Site Address: 2361 University Ave  
East Palo Alto, CA 94303 County: San Mateo  
Census Tract: 6120.00/1

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,090,690	\$0
Recommended:	\$954,550	\$0

**Applicant Information**

Applicant: Eden Housing, Inc.  
Contact: Kevin Leichner  
Address: 22645 Grand Street  
Hayward, CA 94541  
Phone: 510-892-1791  
Email: kleichner@edenhousing.org

General Partner(s) / Principal Owner(s): Eden Development, Inc.  
EPACANDO  
General Partner Type: Nonprofit  
Parent Company(ies): Eden Housing, Inc.  
EPACANDO  
Developer: Eden Development, Inc.  
Investor/Consultant: California Housing Partnership Corporation  
Management Agent(s): Eden Housing Management, Inc.

**Project Information**

Construction Type: Rehabilitation-Only  
 Total # Residential Buildings: 1  
 Total # of Units: 32  
 No. & % of Tax Credit Units: 31 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / CDBG

**Information**

Set-Aside: Nonprofit (qualified nonprofit organization)  
 Housing Type: Large Family  
 Geographic Area: South and West Bay Region  
 CTCAC Project Analyst: Brett Andersen

**55-Year Use / Affordability**

	<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	5	15%
At or Below 45% AMI:	10	30%
At or Below 50% AMI:	16	40%

**Unit Mix**

14 2-Bedroom Units
18 3-BedroomUnits
32 Total Units

<b>Unit Type &amp; Number</b>	<b>2021 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
2 2 Bedrooms	30%	\$1,233
3 3 Bedrooms	30%	\$1,425
4 2 Bedrooms	45%	\$1,354
6 3 Bedrooms	45%	\$1,515
7 2 Bedrooms	50%	\$1,606
9 3 Bedrooms	50%	\$1,725
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,209,029
Construction Costs	\$0
Rehabilitation Costs	\$7,846,193
Construction Contingency	\$1,462,086
Relocation	\$324,861
Architectural/Engineering	\$995,433
Const. Interest, Perm. Financing	\$733,137
Legal Fees	\$184,952
Reserves	\$157,421
Other Costs	\$493,645
Developer Fee	\$1,725,174
Commercial Costs	\$537,443
<b>Total</b>	<b>\$20,669,374</b>

**Residential**

Construction Cost Per Square Foot:	\$256
Per Unit Cost:	\$627,568
True Cash Per Unit Cost*:	\$627,568

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
USB Construction Loan	\$10,142,365	USB Perm Loan	\$2,167,000
San Mateo HOME/CDBG	\$3,610,724	San Mateo - HOME/CDBG	\$3,610,724
East Palo Alto Redevelopment	\$1,221,466	East Palo Alto Redevelopment	\$1,221,466
San Mateo AHF	\$2,000,000	San Mateo AHF	\$2,000,000
NeighborWorks	\$1,500,000	NeighborWorks	\$1,500,000
Accrued Deferred Interest	\$127,168	Income From Operations	\$127,168
Costs Deferred to Conversion	\$463,952	Accrued Deferred Interest	\$221,137
Income From Operations	\$221,137	General Partner Equity	\$463,952
General Partner Equity	\$1,785,690	Tax Credit Equity	\$9,357,927
Tax Credit Equity	\$931,562	<b>TOTAL</b>	<b>\$20,669,374</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$9,322,139
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,118,781
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$954,550
Approved Developer Fee in Project Cost:	\$1,725,174
Approved Developer Fee in Eligible Basis:	\$1,675,409
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.98035

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>37.231%</b>

**Significant Information / Additional Conditions:** None.

**Resyndication and Resyndication Transfer Event**

Prior to closing, the applicant or its assignee shall obtain CTCAC's consent to assign and assume the existing Regulatory Agreement (CA-2002-056). 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.

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 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-2002-056) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

**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.

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project