CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2007

Project Number CA-2007-821

Project Name Eureka Family Housing
Address: 615 W. Hawthorne St., 1112 E St., 735 P St., & 304 Clark St. (community building)
Eureka, CA 95503 County: Humboldt

Applicant Information

Applicant:	Eureka Family Housing, L.P.	
Contact	Mr. Robert H. Morelli	
Address:	735 W. Everding Street Eureka, CA 95503	
Phone:	(707) 443-4583	Fax: (707) 443-2150
Sponsors Type:	Nonprofit	

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	March, 2007
Credit Enhancement:	CalHFA Risk Share

Eligible Basis

Actual:	$7,528,186
Requested:	$7,528,186
Maximum Permitted:	$16,172,408

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20% ☒
55-Year Use/Rent Restriction Adjustment: 120% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$310,964	$0
Recommended:	$310,964	$0

Project Information

Construction Type:	Acquisition and Rehabilitation
Federal Subsidy:	Tax-Exempt / HUD Section 8
HCD MHP Funding:	No
Total # of Units:	50
Total # Residential Buildings:	9

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 50 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 33

Unit Type & Number	2007 Rents % of Area Median Income	Proposed Rent (including utilities)
2 One-Bedroom	50%	$445
2 One-Bedroom	50%	$476
8 One-Bedroom	60%	$571
9 Two-Bedroom	50%	$571
18 Two-Bedroom	60%	$685
4 Three-Bedroom	50%	$635
7 Three-Bedroom	60%	$792

The project developers are Eureka Housing Development Corporation and the Housing Authority of the City of Eureka.

The management services will be provided by the Housing Authority of the City of Eureka.

The market analysis was provided by Laurin Associates.

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.

Project Financing
Estimated Total Project Cost: $8,536,280 Per Unit Cost: $170,726 Construction Cost Per Sq. Ft.: $63

Construction Financing

Source	Amount
CalHFA – Tax Exempt Bonds	$4,525,000
CalHFA – Surplus Loan	$305,000
City of Eureka RDA	$500,000
City of Eureka Housing Authority	$2,400,000
Existing Reserves	$91,124
Deferred Developer Fee	$5,449
Investor Equity	$500,000

Permanent Financing

Source	Amount
CalHFA – Tax Exempt Bonds	$940,000
CalHFA – Surplus Loan	$305,000
CalHFA – Tax Exempt Bonds	$1,150,000
City of Eureka RDA	$500,000
Existing Reserves	$91,124
City of Eureka Housing Authority	$2,400,000
Deferred Developer Fee	$102,836
Investor Equity	$3,047,320
TOTAL	**$8,536,280**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$3,699,000
130% High Cost Adjustment:	Yes
Requested Acquisition Eligible Basis:	$3,829,186
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$4,808,700
Qualified Acquisition Basis:	$3,829,186
Applicable Rate:	3.60%
Maximum Annual Federal Credit - Rehabilitation:	$173,113
Maximum Annual Federal Credit - Acquisition:	$137,851
Total Maximum Annual Federal Credit:	$310,964
Approved Developer Fee in Project Cost:	$195,000
Approved Developer Fee in Eligible Basis:	$195,000
Tax Credit Factor:	$0.98

Applicant requests and staff recommends annual federal credits of $310,964, based on a qualified rehabilitation basis of $4,808,700, a qualified acquisition basis of $3,829,186, and a funding shortfall of $3,047,320.

Cost Analysis and Line Item Review

The requested eligible basis ($7,528,186) is below TCAC's adjusted threshold basis limit ($16,172,408). The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages and the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: 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.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

$310,964 Federal/Annual **$0** State/Total

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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

Project Analyst: Jack Waegell