CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2007 Second Round Cycle
Tax-Exempt Bond Project with State Credits
September 26, 2007

Project Number CA-2007-876

Project Name Drake's Way Apartments
Site Address: Drake's Way (#'s to be assigned)
Larkspur, CA 94939 County: Marin
Census Tract: 1212

Applicant Information
Applicant: EAH, Inc.
Contact Andy Blauvelt
Address: 2169 E. Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: (415) 295-8841 Fax: (415) 453-3683
Sponsors Type: Nonprofit

Information
Housing Type: Large Family

Bond Information
Issuer: Housing Authority of the County of Marin
Expected Date of Issuance: December 15, 2007
Credit Enhancement: N/A

Eligible Basis
Actual: $12,422,900
Requested: $10,254,131
Maximum Permitted: $10,254,131

Extra Feature Adjustments:
Required to Pay Prevailing Wages ☒ Local Impact Fees ☒
Seismic Upgrading ☒ Environmental Mitigation ☒ Utilizing New Energy Technologies ☒
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features ☒
55-Year Use/Rent Restriction Adjustment: 120% ☒

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$369,149	$1,333,037
Recommended:	$369,149	$1,333,037

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME/CDBG
HCD MHP Funding: Yes
Total # of Units: 24
Total # Residential Buildings: 8

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 23 units
55-Year Use/Affordability Restriction: Yes
Breakdown by %: 10% @ 30%, 10% @ 35%, 10% @ 40%, 10% @ 45%, 10% @ 50%
Number of Units @ or below 30% of area median income: 3
Number of Units @ or below 35% of area median income: 3
Number of Units @ or below 40% of area median income: 3
Number of Units @ or below 45% of area median income: 3
Number of Units @ or below 50% of area median income: 3
Number of Units @ or below 60% of area median income: 8

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics **Maximum of 9 points**	***9***	**9**	**8**
☒ General Partner Experience	*6*	6	6
☒ Management Experience	*3*	3	2
Housing Needs **Maximum of 10 points**	***10***	**10**	**10**
Site Amenities **Maximum of 15 points**	***15***	**6**	**6**
☒ Within 1,500 feet of a regular bus stop or rapid transit system stop	*3*	3	3
☒ Within ¼ mile of public park or community center open to general public	*3*	3	3
Sustainable Building Methods **Maximum of 8 points**	***8***	**8**	**8**
☒ New construction/adaptive reuse increases energy efficiency 10% above	*4*	4	4
☒ Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	*2*	2	2
☒ Formaldehyde-free insulation	*1*	1	1
☒ Rainwater retention at ½ inch rainfall per 24-hour period	*1*	1	1
Lowest Income **Maximum of 52 points**	***52***	**52**	**52**
☒ Basic Targeting	*50*	50	50
☒ Deeper Targeting – at least 10% of units @ 30% AMI or less	*2*	2	2
Readiness to Proceed **Maximum of 20 points**	***20***	**5**	**5**
Total Points	***124***	**90**	**89**

2007 Rents

<u>**Unit Type & Number**</u>		<u>**% of Area Median Income**</u>	<u>**Proposed Rent**</u> (including utilities)
2	One-Bedroom	15%	$318
2	One-Bedroom	20%	$424
2	Two-Bedroom	20%	$509
1	Two-Bedroom	25%	$636
3	Two-Bedroom	40%	$1,018
6	Two-Bedroom	50%	$1,272
1	Three-Bedroom	25%	$735
2	Three-Bedroom	40%	$1,176
4	Three-Bedroom	50%	$1,470
1	Three-Bedroom	Manager's Unit	$0

The general partners or principal owner is EAH Bay Area Community LLC.

The project developer is EAH, Inc.

The management services will be provided by EAH, Inc.

The market analysis was provided by Newport Realty Advisors.

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

Project Financing
Estimated Total Project Cost: $13,066,375 Per Unit Cost: $544,432 Construction Cost Per Sq. Foot: $376

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	$8,610,731	Citibank	$1,040,000
Marin County HOME/CDBG	$1,334,883	HCD MHP	$2,588,149
Marin County HOPWA	$345,000	Marin County HOME/CDBG	$1,334,883
Marin Community Foundation / Sponsor Loan	$834,133	Marin County HOPWA	$345,000
Sponsor Grants	$384,230	Marin Community Foundation / Sponsor Loan	$1,571,250
		Sponsor Fundraising	$384,230
		General Partner Equity	$93,281
		Accrued Interest	$74,318
		Deferred Developer Fee	$826,658
		Investor Equity	$4,808,606
		TOTAL	**$13,066,375**

Determination of Credit Amount(s)

Requested Eligible Basis:	$10,254,131
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	$10,254,131
Applicable Rate:	3.60%
Maximum Annual Federal Credit:	$369,149
State Credit Applicable Rate:	13%
Total State Credit:	$1,333,037
Approved Developer Fee:	$1,400,000
Tax Credit Factor:	$0.95702

Applicant requests and staff recommends annual federal credits of $369,149, and total state credits of $1,333,037, based on a qualified basis of $10,254,131, and a funding shortfall of $4,808,606.

Cost Analysis and Line Item Review
The requested eligible basis $10,254,131 is at TCAC's adjusted threshold basis limit $10,254,131. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units, projects that are required to pay state or federal prevailing wages, projects requiring seismic upgrading of existing structures, and/or requiring toxic or other environmental mitigation as certified by the project architect, projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar, local development impact fees, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, for exceeding Title 24 by at least 15%, using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air, and using vent kitchen range hoods to the exterior of the building in at least 80% of the 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:

Federal/Annual	State/Total
$369,149	**$1,333,037**

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: The applicant/owner is required to provide the tenants with after school programs and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Anthony Zeto