

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2011 Second Round

September 28, 2011

REVISED

Project Number CA-2011-884

Project Name Los Robles Apartments
Site Address: 32300 Almaden Boulevard
Union City, CA 94587 County: Alameda
Census Tract: 4403.7

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$735,184 | \$1,483,685 |
| Recommended: | \$735,184 | \$1,483,685 |

Applicant Information

Applicant: Los Robles Apartments Associates, LP
Contact: Michael Farrel
Address: 2169 E. Francisco Blvd., Suite B
San Rafael, CA 94901
Phone: 415-295-8819 **Fax:** 415-453-3683
Email: mfarrel@eahhousing.org

General partner(s) or principal owner(s): 32300 Almaden Boulevard, LLC
General Partner Type: Nonprofit
Developer: EAH Inc.
Consultant: California Housing Partnership Corporation
Management Agent: EAH Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 19
Total # of Units: 140
No. & % of Tax Credit Units: 118 86%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / HUD Project Based Section 8 (42 Units - 30%)
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 14 10 %
40% AMI: 28 20 %
50% AMI: 56 40 %

Bond Information

Issuer: California Municipal Finance Agency
 Expected Date of Issuance: 12/01/11
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Non Targeted
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

60 2-Bedroom Units
 50 3-Bedroom Units
30 4-Bedroom Units
 140 Total Units

| <u>Unit Type & Number</u> | <u>2011 Rents Targeted % of Area Median Income</u> | <u>2011 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 6 2 Bedrooms | 30% | 30% | \$623 |
| 5 3 Bedrooms | 30% | 30% | \$720 |
| 2 4 Bedrooms | 30% | 30% | \$803 |
| 1 5 Bedrooms | 30% | 30% | \$886 |
| 20 2 Bedrooms | 40% | 40% | \$830 |
| 4 3 Bedrooms | 40% | 40% | \$960 |
| 1 4 Bedrooms | 40% | 40% | \$1,070 |
| 3 5 Bedrooms | 40% | 40% | \$1,182 |
| 26 2 Bedrooms | 50% | 48% | \$1,001 |
| 16 3 Bedrooms | 50% | 44% | \$1,057 |
| 12 4 Bedrooms | 50% | 46% | \$1,223 |
| 2 5 Bedrooms | 50% | 46% | \$1,364 |
| 1 2 Bedrooms | 60% | 55% | \$1,138 |
| 13 3 Bedrooms | 60% | 50% | \$1,201 |
| 4 4 Bedrooms | 60% | 52% | \$1,390 |
| 2 5 Bedrooms | 60% | 52% | \$1,550 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$800 |
| 1 3 Bedrooms | Manager's Unit | Manager's Unit | \$841 |
| 6 2 Bedrooms | Market Rate | Market Rate | \$1,102 |
| 11 3 Bedrooms | Market Rate | Market Rate | \$1,159 |
| 1 4 Bedrooms | Market Rate | Market Rate | \$1,342 |
| 2 5 Bedrooms | Market Rate | Market Rate | \$1,498 |

Project Financing

| | |
|-------------------------------------|--------------|
| Estimated Total Project Cost: | \$30,058,666 |
| Estimated Residential Project Cost: | \$30,058,666 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$47 |
| Per Unit Cost: | \$214,705 |

Construction Financing

| Source | Amount |
|--------------------------------|--------------|
| US Bank | \$15,186,500 |
| Seller Carryback Loan | \$11,173,882 |
| Seller Carryback Loan Interest | \$779,378 |
| Operating Income | \$648,428 |
| Deferred Developer Fee | \$985,640 |
| Tax Credit Equity | \$292,312 |

Permanent Financing

| Source | Amount |
|--------------------------------|---------------------|
| US Bank | \$5,008,800 |
| US Bank - Section 8 Loan | \$3,269,800 |
| Seller Carryback Loan | \$11,173,882 |
| Seller Carryback Loan Interest | \$779,378 |
| Operating Income | \$648,428 |
| Deferred Developer Fee | \$985,640 |
| Tax Credit Equity | \$8,192,738 |
| TOTAL | \$30,058,666 |

Determination of Credit Amount(s)

| | |
|--|--|
| Requested Eligible Basis (Rehabilitation): | \$13,347,361 |
| 130% High Cost Adjustment: | No |
| Requested Eligible Basis (Acquisition): | \$11,940,632 |
| Applicable Fraction: | 86% |
| Qualified Basis (Rehabilitation): | \$11,412,961 |
| Applicable Rate: | 3.40% |
| Qualified Basis (Acquisition): | \$10,210,106 |
| Applicable Rate: | 3.40% |
| Maximum Annual Federal Credit, Rehabilitation: | \$388,041 |
| Maximum Annual Federal Credit, Acquisition: | \$347,143 |
| Total Maximum Annual Federal Credit: | \$735,184 |
| Total State Credit: | \$1,483,685 |
| Approved Developer Fee in Project Cost: | \$2,000,000 |
| Approved Developer Fee in Eligible Basis: | \$1,400,000 |
| Consultant: | California Housing Partnership Corporation |
| Federal Tax Credit Factor: | \$0.98320 |
| State Tax Credit Factor: | \$0.65000 |

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

| | |
|---------------------------------------|--------------|
| Requested Unadjusted Eligible Basis: | \$25,287,993 |
| Actual Eligible Basis: | \$25,287,993 |
| Unadjusted Threshold Basis Limit: | \$52,569,050 |
| Total Adjusted Threshold Basis Limit: | \$94,264,710 |

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 60%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

Tie-Breaker Information

Final: N/A

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 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 3.40% 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.

Special Issues/Other Significant Information: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

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

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

Federal Tax Credits/Annual
\$735,184

State Tax Credits/Total
\$1,483,685

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.

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.

The applicant must submit all documentation required for any Readiness 180-Day Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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.

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 ten 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)(6) 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 completion.

Additional Conditions: None

| Points System | Max. Possible Points | Requested Points | Points Awarded |
|--|-----------------------------|-------------------------|-----------------------|
| Owner / Management Characteristics | 9 | 9 | 9 |
| General Partner Experience | 6 | 6 | 6 |
| Management Experience | 3 | 3 | 3 |
| Housing Needs | 10 | 10 | 0 |
| Site Amenities | 15 | 15 | 14 |
| Within ¼ mile of transit stop, service every 30 minutes in rush hours | 6 | 6 | 6 |
| Within ¼ mile of public park or community center open to general public | 3 | 3 | 3 |
| Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf | 3 | 3 | 3 |
| Large Family proj. w/i ¼ mile of public school project children may attend | 3 | 3 | 0 |
| Large Family proj. w/i ½ mile of public school project children may attend | 2 | 0 | 2 |
| Service Amenities | 10 | 10 | 10 |
| LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES | | | |
| Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms | 5 | 5 | 5 |
| Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr | 7 | 7 | 7 |
| Sustainable Building Methods | 10 | 10 | 10 |
| REHABILITATION | | | |
| Rehabilitate to improve energy efficiency (change in HERS II rating): 20% | 5 | 5 | 5 |
| Additional rehab measures: Photovoltaic Generation | 3 | 3 | 3 |
| Additional rehab measures: Sustainable Building Management Practices | 3 | 3 | 3 |
| Lowest Income | 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 | 20 | 20 | 20 |
| Total Points | 126 | 126 | 115 |

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.