

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

November 18, 2015

Hayward Four - Scattered-Site, located at 742 Harris Court, 25100 Cypress Avenue, 734, 735, 743, 750, and 751 Harris Court, and 27901 Huntwood Avenue in Hayward, CA, requested and is being recommended for a reservation of \$1,445,436 in annual federal tax credits to finance the acquisition and rehabilitation of 110 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and will be located in Senate District 10 and Assembly District 20.

Hayward Four - Scattered-Site is a re-syndication of 3 existing Low Income Housing Tax Credit (LIHTC) projects, Harris Court Apartments (CA-98-517), Huntwood Commons (CA-88-086), and Cypress Glen (CA-87-046).

Project Number CA-15-907

Project Name Hayward Four - Scattered-Site

Site Address:	<u>742 Harris Court</u>	<u>Cypress Glen</u>
	742 Harris Court	25100 Cypress Avenue
Census Tract:	Hayward, CA 94541	Hayward, CA 94541
	4366.02	4366.02

<u>Harris Court</u>	<u>Huntwood Commons</u>
734, 750, 751, 743, and	27901 Huntwood Avenue
735 Harris Court	Hayward, CA 94541
Hayward, CA 94541	4377.01
4377.01	

County: Alameda

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,445,436	\$0
Recommended:	\$1,445,436	\$0

Applicant Information

Applicant: CHHP, L.P.
Contact: Linda Mandolini
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510-582-1460 Fax: 510-582-0122
Email: lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s): CHHP LLC
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc.
Developer: Eden Housing, Inc.
Investor/Consultant: California Housing Partnership Corp.
Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 14
Total # of Units: 118
No. & % of Tax Credit Units: 110 95.65%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME / CDBG
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 43
Number of Units @ or below 60% of area median income: 67

Bond Information

Issuer: City of Hayward
Expected Date of Issuance: December 20, 2015
Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
Geographic Area: North and East Bay Region
TCAC Project Analyst: Connie Harina

Unit Mix

28 1-Bedroom Units
55 2-Bedroom Units
35 3-Bedroom Units
118 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>742 Harris Court</u>			
1 2 Bedrooms	50%	50%	\$1,046
1 2 Bedrooms	60%	51%	\$1,071
1 3 Bedrooms	60%	59%	\$1,423
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$0
<u>Harris Court</u>			
2 1 Bedroom	40%	40%	\$697
2 2 Bedrooms	40%	40%	\$837
5 3 Bedrooms	40%	40%	\$966
1 2 Bedrooms	50%	49%	\$1,018
1 3 Bedrooms	50%	48%	\$1,171
2 1 Bedroom	60%	52%	\$908
3 2 Bedrooms	60%	53%	\$1,118
3 3 Bedrooms	60%	50%	\$1,196
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
<u>Cypress Glen</u>			
6 1 Bedroom	50%	18%	\$316
5 2 Bedrooms	50%	27%	\$561
7 3 Bedrooms	50%	28%	\$677
6 1 Bedroom	60%	56%	\$974
18 2 Bedrooms	60%	54%	\$1,125
7 3 Bedrooms	60%	56%	\$1,346
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$910
3 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,236
<u>Huntwood Commons</u>			
3 2 Bedrooms	50%	41%	\$853
2 1 Bedroom	50%	50%	\$869
4 2 Bedrooms	50%	48%	\$1,008
4 3 Bedrooms	50%	47%	\$1,145
10 1 Bedroom	60%	55%	\$954
14 2 Bedrooms	60%	52%	\$1,093
2 3 Bedrooms	60%	55%	\$1,319
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$22,929,816
Construction Costs	\$0
Rehabilitation Costs	\$12,356,690
Construction Contingency	\$1,870,564
Relocation	\$123,500
Architectural/Engineering	\$1,195,150
Construction Interest, Perm Financing	\$2,274,365
Legal Fees, Appraisals	\$105,000
Reserves	\$604,706
Other Costs	\$897,554
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$44,857,345

Project Financing

Estimated Total Project Cost:	\$44,857,345
Estimated Residential Project Cost:	\$44,857,345

Residential

Construction Cost Per Square Foot:	\$114
Per Unit Cost:	\$380,147

Construction Financing

<u>Source</u>	<u>Amount</u>
Chase Bank	\$27,525,000
742 Harris - HOME (Assumed)	\$281,219
Harris Ct. - RDA/HOME (Assumed)	\$1,937,538
Cypress Glen - CDBG (Assumed)	\$762,029
Cypress Glen - HOME (Assumed)	\$248,000
Huntwood - HODAG (Assumed)	\$560,993
Huntwood - CDBG (Assumed)	\$309,400
Huntwood - HOME (Assumed)	\$1,075,200
Huntwood - Workforce (Assumed)	\$221,836
Eden - Seller Take Back Loan	\$7,816,631
Accrued / Deferred Interest**	\$372,603
Existing Reserves	\$447,043
Costs Deferred until Perm.	\$907,900
Deferred Developer Fee	\$763,372
Tax Credit Equity	\$1,628,581

Permanent Financing

<u>Source</u>	<u>Amount</u>
Chase Bank	\$4,988,000
NCCLF - BAMCAP*	\$1,000,000
742 Harris - HOME (Assumed)	\$281,219
Harris Ct. - RDA/HOME (Assumed)	\$1,937,538
Cypress Glen - CDBG (Assumed)	\$762,029
Cypress Glen - HOME (Assumed)	\$248,000
Huntwood - HODAG (Assumed)	\$560,993
Huntwood - CDBG (Assumed)	\$309,400
Huntwood - HOME (Assumed)	\$1,075,200
Huntwood - Workforce (Assumed)	\$221,836
Eden - Seller Take Back Loan	\$7,816,631
Accrued / Deferred Interest**	\$372,603
Existing Reserves	\$447,043
Eden Perm Loan	\$5,500,000
General Partner Equity	\$936,628
Income from Operations	\$637,983
Deferred Developer Fee	\$763,372
Energy Tax Credits	\$74,978
Tax Credit Equity	\$16,923,892
TOTAL	\$44,857,345

* Northern California Community Loan Fund - Bay Area Multifamily Capital Advance Program

** Accrued/Deferred Interest for the City of Hayward assumed loans and the Seller Take Back Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$18,416,137
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$22,065,324
Applicable Fraction:	95.21%
Qualified Basis (Rehabilitation):	\$22,793,425
Qualified Basis (Acquisition):	\$21,007,676
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$752,183
Maximum Annual Federal Credit, Acquisition:	\$693,253
Total Maximum Annual Federal Credit:	\$1,445,436
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.17085

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:	\$40,481,461
Actual Eligible Basis:	\$40,481,461
Unadjusted Threshold Basis Limit:	\$36,411,552
Total Adjusted Threshold Basis Limit	\$57,166,136

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: 37%

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 3.30% 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:

Hayward Four - Scattered-Site is a scattered site project consisting of 742 Harris Court and a re-syndication of three (3) existing Low Income Housing Tax Credit (LIHTC) projects, Harris Court Apartments (CA-98-517), Huntwood Commons (CA-88-086), and Cypress Glen (CA-87-046).

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants.

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5%.

The applicant provided evidence for work completed at the Huntwood Commons site by the Bay Area Multifamily Building Enhancement Program, and its corresponding energy efficiency improvements are included towards meeting the 10% post-rehabilitation improvement over existing conditions requirement under TCAC Regulation Section 10325(f)(7)(A).

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.

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	State Tax Credits/Total
\$1,445,436	\$0

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.

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.

Additional Conditions: None.