CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2016

Viriginia Lane Apartments, located at 1121 and 1140 Virginia Lane in Concord, requested and is being recommended for a reservation of $1,007,640 in annual federal tax credits to finance the acquisition and rehabilitation of 89 units of housing serving tenants with rents affordable to households earning 30-55% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 7 and Assembly District 14.

Virignia Lane Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Virginia Lane Apartments (CA-00-913). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-820

Project Name	Virginia Lane Apartments		
Site Address:	1121 and 1140 Virginia Lane		
	Concord, CA 94520	County:	Contra Costa
Census Tract:	3362.020		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,007,640	$0
Recommended:	$1,007,640	$0

Applicant Information

Applicant:	VL, LP		
Contact:	Daniel Rhine		
Address:	22645 Grand Street		
	Hayward, CA 94541		
Phone:	510.247.8113	Fax:	510.582.0122
Email:	drhine@edenhousing.org		

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

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	7
Total # of Units:	91
No. & % of Tax Credit Units:	89 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / CDBG / HOPWA
HCD MHP Funding:	Yes
55-Year Use/Affordability:	Yes
Number of Units @ or below 35% of area median income:	10
Number of Units @ or below 50% of area median income:	67
Number of Units @ or below 60% of area median income:	12

Bond Information

Issuer:	County of Contra Costa
Expected Date of Issuance:	June 30, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

33	1-Bedroom Units
58	2-Bedroom Units
91	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	30%	26%	$458
6	2 Bedrooms	30%	26%	$553
3	2 Bedrooms	40%	38%	$794
8	2 Bedrooms	50%	45%	$949
28	1 Bedroom	50%	45%	$792
28	2 Bedrooms	50%	47%	$974
12	2 Bedrooms	55%	50%	$1,047
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$11,109,100
Construction Costs	$0
Rehabilitation Costs	$8,680,694
Construction Contingency	$1,309,108
Relocation	$355,000
Architectural/Engineering	$597,000
Construction Interest, Perm Financing	$1,308,609
Legal Fees, Appraisals	$115,000
Reserves	$506,222
Other Costs	$622,061
Developer Fee	$3,447,231
Commercial Costs	$0
Total	**$28,050,025**

Project Financing

Estimated Total Project Cost:	$28,050,025
Estimated Residential Project Cost:	$28,050,025

Residential

Construction Cost Per Square Foot:	$133
Per Unit Cost:	$308,242

Construction Financing

Source	Amount
Citibank	$15,988,000
Contra Costa County - HOPWA	$1,000,000
Contra Costa County - HOME*	$414,339
City of Concord - RDA / CDBG*	$3,460,338
HCD - MHP*	$1,372,302
Accrued/Deferred Interest	$197,612
Seller Take Back Loan	$1,078,022
Deferred Costs	$2,794,874
Deferred Developer Fee	$265,135
General Partner Equity	$430,333
Tax Credit Equity	$1,049,070

Permanent Financing

Source	Amount
Citibank	$1,979,000
Citibank - DOJ Loan	$910,000
Contra Costa County - HOPWA	$1,000,000
Contra Costa County - HOME*	$414,339
City of Concord - RDA / CDBG*	$3,460,338
City of Concord	$1,286,312
HCD - MHP*	$1,372,302
Accrued/Deferred Interest	$197,612
Seller Take Back Loan	$2,000,000
Eden Perm Loan	$1,078,022
Income During Operations	$244,832
Deferred Developer Fee	$265,135
General Partner Equity	$2,123,615
PV Solar Credit Equity	$65,309
Tax Credit Equity	$11,653,209
TOTAL	**$28,050,025**

*****Assumed/Recast Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,794,860
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,601,254
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$17,933,318
Qualified Basis (Acquisition):	$12,601,254
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$591,799
Maximum Annual Federal Credit, Acquisition:	$415,841
Total Maximum Annual Federal Credit:	$1,007,640
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,447,231
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.15649

Per Regulation Section 10322(h)(9)(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:	$26,396,114
Actual Eligible Basis:	$26,396,114
Unadjusted Threshold Basis Limit:	$23,763,402
Total Adjusted Threshold Basis Limit:	$46,813,902

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: 75%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 22%

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

This project involves the substantial rehabilitation of a scattered site project (2 sites) originally constructed in the 1971 in the city of Concord.

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. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires December 31, 2029. The existing regulatory agreement income targeting is 89 units at or below 60% AMI.

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

The project requested and was granted a partial waiver to the accessibility requirements of Section 10325(f)(7)(K). Five (5) percent of the units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the modification of post-tensioned slabs of the movement of load-bearing walls or electrical panels. An additional five (5) percent of units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the movement of walls or other structural modifications.

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
$1,007,640	**$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