CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 17, 2016

Stoney Creek, located at 5896 East Avenue in Livermore, requested and is being recommended for a reservation of $1,127,535 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 7 and Assembly District 16.

Stoney Creek is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Stoney Creek (CA-91-014). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project financing includes state funding from the RHCP program of HCD.

Project Number CA-16-923

Project Name Stoney Creek
Site Address: 5896 East Avenue
Livermore, CA 94550 County: Alameda
Census Tract: 4515.060

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,127,535	$0
Recommended:	$1,127,535	$0

Applicant Information
Applicant: Stoney Creek Two, 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): Stoney Creek Two, LLC
General Partner Type: Nonprofit
Parent Company(ies): 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:	9	
Total # of Units:	70	
No. & % of Tax Credit Units:	69	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 35% of area median income:	27
Number of Units @ or below 50% of area median income:	3
Number of Units @ or below 60% of area median income:	39

Bond Information

Issuer:	City of Livermore
Expected Date of Issuance:	November 1, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

36	2-Bedroom Units
34	3-Bedroom Units
70	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
13	2 Bedrooms	35%	32%	$693
14	3 Bedrooms	35%	28%	$710
1	2 Bedrooms	50%	36%	$782
2	3 Bedrooms	50%	33%	$825
22	2 Bedrooms	60%	45%	$996
17	3 Bedrooms	60%	46%	$1,156
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$12,581,250
Construction Costs	$0
Rehabilitation Costs	$9,710,000
Construction Contingency	$1,456,500
Relocation	$400,000
Architectural/Engineering	$940,000
Const. Interest, Perm. Financing	$1,394,146
Legal Fees, Appraisals	$87,500
Reserves	$230,745
Other Costs	$649,290
Developer Fee	$3,914,485
Commercial Costs	$0
Total	**$31,363,916**

Project Financing

Estimated Total Project Cost:	$31,363,916
Estimated Residential Project Cost:	$31,363,916
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$126
Per Unit Cost:	$448,056
True Cash Per Unit Cost*:	$442,657

Construction Financing

Source	Amount
Wells Fargo Bank	$21,739,000
HCD - RHCP (Assumed/Recast)	$6,049,842
City of Livermore (Assumed/Recast)	$1,260,192
Accrued/Deferred Interest	$163,744
Costs Deferred until Conversion	$755,584
GP Equity Existing Reserves	$167,571
Tax Credit Equity	$1,227,983

Permanent Financing

Source	Amount
Wells Fargo Bank	$1,308,000
HCD - RHCP (Assumed/Recast)	$6,049,842
City of Livermore (Assumed/Recast)	$1,260,192
City of Livermore	$750,000
Accrued/Deferred Interest	$163,744
Income from Operations	$165,815
Eden Permanent Loan	$4,886,707
GP Equity Existing Reserves	$167,571
GP Equity	$2,736,591
Deferred Developer Fee	$377,894
Energy Tax Credit Equity	$103,500
Tax Credit Equity	$13,394,060
TOTAL	**$31,363,916**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$15,780,230
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$14,179,069
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$20,514,299
Qualified Basis (Acquisition):	$14,179,069
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$666,715
Maximum Annual Federal Credit, Acquisition:	$460,820
Total Maximum Annual Federal Credit:	$1,127,535
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,914,485
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.18791

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:	$29,959,299
Actual Eligible Basis:	$29,959,299
Unadjusted Threshold Basis Limit:	$25,255,552
Total Adjusted Threshold Basis Limit:	$45,965,105

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: 4%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 78%

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 3.25% 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
The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) in conformance with Chapter 11(B) of the California Building Code. The applicant demonstrated the excessive expense of full compliance and TCAC grants a partial waiver to the requirements of Section 10325(f)(7)(K) for the Stoney Creek project such that 10% of the units (7 units) shall meet the requirements of Chapter 11 (B) with the exception of requirements that necessitate the movement of load-bearing walls.

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 01/01/1993 through 12/31/2008. The existing regulatory agreement expires 12/31/2047. The existing regulatory agreement income targeting is at least 100% of the Units in the Project must be occupied by Tenants at or below 60% of Area Median Gross Income, such that the average income of all Low-Income Tenants of the project does not exceed 51% of the Area Median Gross Income, and Rent-Restricted in accordance with such income level.

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

Local Reviewing Agency
The Local Reviewing Agency, the City of Livermore, 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	State Tax Credits/Total
$1,127,535	**$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.