

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

PARC 55 Senior Apartments, located at the corner of Warren and Mission Falls Court in Fremont, requested and is being recommended for a reservation of \$1,307,562 in annual federal tax credits to finance the new construction of 89 units of housing serving seniors with rents affordable to households earning 30-50% 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 25.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-16-112

Project Name PARC 55 Senior Apartments
Site Address: Corner of Warren and Mission Falls Court
Fremont, CA 94539 County: Alameda
Census Tract: 4415.030

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$1,307,562 | \$0 |
| Recommended: | \$1,307,562 | \$0 |

Applicant Information

Applicant: Eden Housing, Inc.
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) / Principal Owner(s): Eden Investments, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc.
Developer: Eden Housing, Inc.
Investor/Consultant: Community Economics
Management Agent(s): Eden Housing Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 90
 No. & % of Tax Credit Units: 89 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (30 units - 33%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 26 25 %
 45% AMI: 17 15 %
 50% AMI: 46 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

76 1-Bedroom Units
 14 2-Bedroom Units

 90 Total Units

| <u>Unit Type & Number</u> | <u>2016 Rents Targeted % of Area Median Income</u> | <u>2016 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------|
| 10 1 Bedroom | 30% | 30% | \$548 |
| 14 1 Bedroom | 45% | 45% | \$822 |
| 32 1 Bedroom | 50% | 50% | \$914 |
| 3 2 Bedrooms | 30% | 30% | \$658 |
| 3 2 Bedrooms | 45% | 45% | \$987 |
| 7 2 Bedrooms | 50% | 50% | \$1,097 |
| 13 1 Bedroom | 30% | 30% | \$548 |
| 7 1 Bedroom | 50% | 50% | \$914 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$6,765,000 |
| Construction Costs | \$20,157,914 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$1,057,895 |
| Relocation | \$0 |
| Architectural/Engineering | \$2,091,746 |
| Const. Interest, Perm. Financing | \$1,937,101 |
| Legal Fees, Appraisals | \$100,000 |
| Reserves | \$376,239 |
| Other Costs | \$2,896,803 |
| Developer Fee | \$1,400,000 |
| Commercial Costs | \$0 |
| Total | \$36,782,698 |

Project Financing

| | |
|-------------------------------------|--------------|
| Estimated Total Project Cost: | \$36,782,698 |
| Estimated Residential Project Cost: | \$36,782,698 |
| Estimated Commercial Project Cost: | \$0 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$219 |
| Per Unit Cost: | \$408,697 |
| True Cash Per Unit Cost*: | \$332,030 |

Construction Financing

| Source | Amount |
|-------------------------------|--------------|
| Wells Fargo Construction Loan | \$19,072,975 |
| Inclusionary Land Donation | \$6,500,000 |
| Master Developer Contribution | \$1,000,000 |
| City of Fremont | \$6,970,000 |
| City of Fremont - HOME | \$520,000 |
| Tax Credit Equity | \$1,490,621 |

Permanent Financing

| Source | Amount |
|-------------------------------|---------------------|
| CCRC - Tranche A | \$2,735,000 |
| CCRC - Tranche B | \$2,978,000 |
| Inclusionary Land Donation | \$6,500,000 |
| Master Developer Contribution | \$1,000,000 |
| City of Fremont | \$6,970,000 |
| City of Fremont - HOME | \$520,000 |
| AHP | \$890,000 |
| General Partner Equity | \$1,491 |
| Deferred Developer Fee | \$400,000 |
| Tax Credit Equity | \$14,788,207 |
| TOTAL | \$36,782,698 |

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

Determination of Credit Amount(s)

| | |
|------------------------------------------------------------|---------------------|
| Requested Eligible Basis: | \$11,175,745 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$14,528,468 |
| Applicable Rate: | 9.00% |
| Maximum Annual Federal Credit: | \$1,307,562 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$1,400,000 |
| Investor/Consultant: | Community Economics |
| Federal Tax Credit Factor: | \$1.13098 |

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: | \$11,175,745 |
| Actual Eligible Basis: | \$28,952,831 |
| Unadjusted Threshold Basis Limit: | \$21,745,960 |
| Total Adjusted Threshold Basis Limit: | \$31,025,800 |

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

| | |
|--------|----------------|
| First: | Seniors |
| Final: | 66.440% |

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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 Fremont, 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 |
| \$1,307,562 | \$0 |

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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 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 fifteen 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 |
|---------------------------------------------------------------------------|-----------------------------|-------------------------|-----------------------|
| Cost Efficiency / Credit Reduction / Public Funds | 20 | 20 | 20 |
| Public Funds | 20 | 20 | 20 |
| Owner / Management Characteristics | 9 | 9 | 9 |
| General Partner Experience | 6 | 6 | 6 |
| Management Experience | 3 | 3 | 3 |
| Housing Needs | 10 | 10 | 10 |
| Site Amenities | 15 | 15 | 15 |
| Within ½ mile of transit, service every 30 min, 25 units/acre density | 7 | 7 | 7 |
| Within ½ mile of public park or community center open to general public | 3 | 3 | 3 |
| Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf | 5 | 5 | 5 |
| Within ½ mile of medical clinic or hospital | 3 | 3 | 3 |
| Within ½ mile of a pharmacy | 2 | 2 | 2 |
| In-unit high speed internet service | 2 | 2 | 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, min. 60 hrs/yr instruction | 5 | 5 | 5 |
| Sustainable Building Methods | 5 | 5 | 5 |
| NEW CONSTRUCTION/ADAPTIVE REUSE | | | |
| Develop project in accordance w/ requirements of: GreenPoint Rated | 5 | 5 | 5 |
| 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 | 15 | 15 | 15 |
| Miscellaneous Federal and State Policies | 2 | 2 | 2 |
| State Credit Substitution | 2 | 2 | 2 |
| Smoke Free Residence | 2 | 2 | 2 |
| Total Points | 138 | 138 | 138 |

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.