CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

Connell Apartments, located at 7010 Princevalle Street and 610 & 620 Fairview Drive in Gilroy, requested and is being recommended for a reservation of $419,156 in annual federal tax credits to finance the acquisition and rehabilitation of 27 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 17 and Assembly District 30.

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

Project Number CA-16-980

Project Name Connell Apartments
Site Address: 7010 Princevalle Street, 610 & 620 Fairview Drive
Gilroy, CA 90520 Couny: Santa Clara
Census Tract: 5125.080

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$419,156	$0
Recommended:	$419,156	$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) or Principal Owner(s):	Eden Housing, Inc.
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:	3
Total # of Units:	28
No. & % of Tax Credit Units:	27 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Vouchers (5 Units - 19%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 35% of area median income:	1
Number of Units @ or below 50% of area median income:	18
Number of Units @ or below 60% of area median income:	8

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	April 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	DC Navarrette

Unit Mix

1	SRO/Studio Units
17	1-Bedroom Units
10	2-Bedroom Units
28	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	SRO/Studio	35%	35%	$684
13	1 Bedroom	50%	46%	$969
5	2 Bedrooms	50%	50%	$1,256
3	1 Bedroom	60%	53%	$1,103
2	2 Bedrooms	60%	45%	$1,131
3	2 Bedrooms	60%	45%	$1,134
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$7,042,900
Construction Costs	$0
Rehabilitation Costs	$3,274,528
Construction Contingency	$286,008
Relocation	$137,000
Architectural/Engineering	$400,000
Const. Interest, Perm. Financing	$720,034
Legal Fees, Appraisals	$169,400
Reserves	$111,392
Other Costs	$360,458
Developer Fee	$1,739,908
Commercial Costs	$0
Total	**$14,241,628**

Project Financing

Estimated Total Project Cost:	$14,241,628
Estimated Residential Project Cost:	$14,241,628
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$166
Per Unit Cost:	$508,630
True Cash Per Unit Cost*:	$371,964

Construction Financing

Source	Amount
Wells Fargo	$9,935,046
City of Gilroy (Assumed)	$208,073
Accrued Interest	$77,370
Seller Carryback Note	$2,886,737
Existing Reserves	$84,899
Tax Credit Equity	$109,595
Deferred Developer Fee	$939,908

Permanent Financing

Source	Amount
CCRC	$2,888,326
City of Gilroy (Assumed)	$208,073
Accrued Interest	$77,370
Seller Carryback Note	$2,886,737
Existing Reserves	$84,899
Operating Income	$349,412
General Partner Loan	$2,000,000
General Partner Equity	$50,000
Deferred Developer Fee	$939,908
Tax Credit Equity	$4,756,903
TOTAL	**$14,241,628**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,019,602
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$7,877,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,019,602
Qualified Basis (Acquisition):	$7,877,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$163,137
Maximum Annual Federal Credit, Acquisition:	$256,019
Total Maximum Annual Federal Credit:	$419,156
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,739,908
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.13488

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:	$12,897,102
Actual Eligible Basis:	$13,339,293
Unadjusted Threshold Basis Limit:	$7,184,559
Total Adjusted Threshold Basis Limit:	$12,897,103

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

● Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Seismic Upgrading

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 66%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 6%

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). Two of the units shall meet the requirements of Chapter 11(B) with the exception of requirements that necessitate the movement of load-bearing or structural walls or electical panels. One additional unit 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
$419,156	**$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.