

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Hybrid Tax-Exempt Bond Project

May 17, 2017

REVISED

Mission Court Senior Apartments, located at 47003 Mission Falls Court in Fremont, requested and is being recommended for a reservation of \$641,406 in annual federal tax credits to finance the new construction of 44 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-17-752

Project Name Mission Court Senior Apartments (formerly Parc 55 Senior Apartments)
Site Address: 47003 Mission Falls Court
Fremont, CA 94539 County: Alameda
Census Tract: 4415.03

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$641,406	\$0
Recommended:	\$641,406	\$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 Investments, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc.
Developer: Eden Housing, Inc.
Investor/Consultant: Enterprise Community Investment, Inc.
Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 44
 No. & % of Tax Credit Units: 44 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-Based Vouchers
 (15 Units - 33%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 14
 Number of Units @ or below 50% of area median income: 30

Bond Information

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

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

36 1-Bedroom Units
 8 2-Bedroom Units

 44 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5 1 Bedroom	30%	30%	\$548
7 1 Bedroom	45%	45%	\$822
14 1 Bedroom	50%	50%	\$914
2 2 Bedrooms	30%	30%	\$658
1 2 Bedrooms	45%	45%	\$987
2 2 Bedrooms	50%	50%	\$1,097
7 1 Bedroom	30%	30%	\$548
3 1 Bedroom	50%	50%	\$914
3 2 Bedrooms	50%	50%	\$1,097

Projected Lifetime Rent Benefit: \$39,419,358

Project Cost Summary at Application

Land and Acquisition	\$3,134,042
Construction Costs	\$10,778,796
Rehabilitation Costs	\$0
Construction Contingency	\$669,730
Relocation	\$0
Architectural/Engineering	\$830,055
Const. Interest, Perm. Financing	\$1,309,701
Legal Fees, Appraisals	\$60,000
Reserves	\$508,808
Other Costs	\$1,426,944
Developer Fee	\$900,000
Commercial Costs	\$0
Total	\$19,618,076

Project Financing

Estimated Total Project Cost:	\$19,618,076
Estimated Residential Project Cost:	\$19,618,076
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$297
Per Unit Cost:	\$445,865
True Cash Per Unit Cost*:	\$377,428

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Source	Amount
Chase	\$11,500,000
City of Fremont	\$4,002,570
Inclusionary Land Donation	\$3,011,230
Tax Credit Equity	\$630,800

Permanent Financing

Source	Amount
Chase Tranche A	\$1,486,000
Chase Tranche B	\$3,293,000
City of Fremont	\$4,985,448
City of Fremont - HOME	\$520,000
Inclusionary Land Donation	\$3,011,230
Inclusionary Contribution	\$14,299
General Partner Equity	\$100
Tax Credit Equity	\$6,307,999
TOTAL	\$19,618,076

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,181,215
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,735,580
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$641,406
Approved Developer Fee (in Project Cost & Eligible Basis):	\$900,000
Investor/Consultant:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	\$0.98346

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:	\$15,181,215
Actual Eligible Basis:	\$15,181,215
Unadjusted Threshold Basis Limit:	\$12,019,240
Total Adjusted Threshold Basis Limit:	\$32,624,063

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 68%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 62%

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

This application was originally allocated credits as PARC 55 Senior Apartments CA-16-112. The project was subsequently split into this 4% component and a 9% component.

The 9% component of this project has a manager's unit to serve tenants in both pieces of the property.

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
\$641,406	\$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

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to develop the project in accordance with the minimum requirements of the Green Point Rated Multifamily Guidelines.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.