CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Fellowship Plaza, located at 14520 Fruitvale Avenue in Saratoga, requested and is being recommended for a reservation of $3,652,957 in annual federal tax credits to finance the acquisition and rehabilitation of 148 units of housing serving seniors with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by EAH, Inc. and is located in Senate District 15 and Assembly District 28.

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

Project Number CA-17-765

Project Name Fellowship Plaza

Site Address:	14520 Fruitvale Avenue	
	Saratoga, CA 95070	County: Santa Clara
Census Tract:	5073.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,652,957	$0
Recommended:	$3,652,957	$0

Applicant Information

Applicant:	Fellowship Plaza, LP
Contact:	Errol Dominguez
Address:	2169 E. Francisco Blvd., Suite B
	San Rafael, CA 94901
Phone:	415-295-8855
Email:	errol.dominguez@eahhousing.org

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

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	4	
Total # of Units:	150	
No. & % of Tax Credit Units:	148	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax Exempt / HUD Section 8 Project-based Contract (148 units / 100%)	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 35% of area median income: 30
Number of Units @ or below 50% of area median income: 118

Bond Information

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

Information

Housing Type:	Seniors
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Marlene McDonough

Unit Mix

144	1-Bedroom Units
6	2-Bedroom Units
150	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
114	1 Bedroom	50%	50%	$1,120
4	2 Bedrooms	50%	50%	$1,343
30	1 Bedroom	35%	35%	$784
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $116,643,120

Project Cost Summary at Application

Land and Acquisition	$48,072,958
Construction Costs	$0
Rehabilitation Costs	$28,579,847
Construction Contingency	$2,857,985
Relocation	$3,900,800
Architectural/Engineering	$1,341,289
Const. Interest, Perm. Financing	$5,768,476
Legal Fees, Appraisals	$188,131
Reserves	$1,222,306
Other Costs	$2,468,506
Developer Fee	$12,878,153
Commercial Costs	$0
Total	**$107,278,451**

Project Financing

Estimated Total Project Cost:	$107,278,451
Estimated Residential Project Cost:	$107,278,451
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$232
Per Unit Cost:	$715,190
True Cash Per Unit Cost*:	$461,688

Construction Financing

Source	Amount
Citibank	$63,000,000
Seller Carryback	$28,127,043
Accrued/Deferred Interest	$1,218,839
General Partner Capital	$100
Deferred Developer Fee	$9,898,153
Tax Credit Equity	$1,660,052

Permanent Financing

Source	Amount
Citibank - Tranch A	$5,599,000
Citbank - Tranch B	$23,503,000
Seller Carryback	$28,127,043
Accrued/Deferred Interest	$1,218,839
Income from Operations	$2,042,580
Existing Reserves Withdrawal	$1,741,193
General Partner Capital	$100
Deferred Developer Fee	$9,898,153
Tax Credit Equity	$35,148,543
TOTAL	**$107,278,451**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$45,553,997
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$53,178,507
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$59,220,196
Qualified Basis (Acquisition):	$53,178,507
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$1,924,656
Maximum Annual Federal Credit, Acquisition:	$1,728,301
Total Maximum Annual Federal Credit:	$3,652,957
Approved Developer Fee (in Project Cost & Eligible Basis):	$12,878,153
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.96219

Per Regulation Section 10327(c)(6), 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:	$98,732,504
Actual Eligible Basis:	$98,732,504
Unadjusted Threshold Basis Limit:	$42,928,800
Total Adjusted Threshold Basis Limit:	$100,322,377

Adjustments to Basis Limit

Seismic Upgrading

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: 79%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 40%

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: None.

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
$3,652,957	**$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