

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2013 First Round
June 12, 2013

Project Number CA-13-833

Project Name Hayward Senior Housing II
 Site Address: 22605 Grand Street
 Hayward, CA 94145 County: Alameda
 Census Tract: 4363.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$289,057	\$1,174,294
Recommended:	\$281,068	\$944,734

Applicant Information

Applicant: B Grand, L.P.
 Contact: Linda Mandolini
 Address: 22605 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 Development, Inc.
 General Partner Type: Nonprofit
 Developer: Eden Housing, Inc.
 Investor/Consultant: Community Economics, Inc.
 Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 22
 No. & % of Tax Credit Units: 21 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD NSP2 / HUD 202 &
 PRAC (21 Units/100%) / HUD/City - HODAG

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	3	10 %
45% AMI:	6	25 %
50% AMI:	12	40 %

Affordability Breakdown by % (Basis Limit Increase):

Number of Units @ or below 35% of area median income: 3
 Number of Units @ or below 50% of area median income: 18

Bond Information

Issuer: City of Hayward
 Expected Date of Issuance: August 1, 2013
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

21 1-Bedroom Units
 1 2-Bedroom Units

 22 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$502
6 1 Bedroom	45%	30%	\$502
12 1 Bedroom	50%	30%	\$502
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$646

Project Financing

Estimated Total Project Cost: \$10,183,398
 Estimated Residential Project Cost: \$10,183,398

Residential

Construction Cost Per Square Foot: \$370
 Per Unit Cost: \$474,229

Construction Financing

<u>Source</u>	<u>Amount</u>
Silicon Valley Bank	\$5,608,749
City of Hayward - HODAG	\$1,100,000
City of Hayward - HOME	\$775,000
Alameda County - NSP2	\$400,000
AHP	\$210,000
Housing Authority - Land Donation	\$599,999
Accrued Interest During Construction	\$26,997

Permanent Financing

<u>Source</u>	<u>Amount</u>
HUD Section 202 Capital Advance	\$3,494,200
City of Hayward - HODAG	\$1,100,000
City of Hayward - HOME	\$775,000
Alameda County - NSP2	\$400,000
AHP	\$210,000
Housing Authority - Land Donation	\$599,999
Accrued Interest During Constr.	\$26,997
G.P. Equity	\$100
Tax Credit Equity	\$3,577,102
TOTAL	\$10,183,398

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,783,385
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,783,385
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$281,068
Total State Credit:	\$944,734
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,145,659
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.02731
State Tax Credit Factor:	\$0.73000

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:	\$8,783,385
Actual Eligible Basis:	\$8,783,385
Unadjusted Threshold Basis Limit:	\$5,596,336
Total Adjusted Threshold Basis Limit:	\$13,599,097

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 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: 85%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 28%

Tie-Breaker Information

Final: N/A

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 3.20% 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 project has HUD 202 funds and a project rental assistance contract (PRAC) covering all of the 21 affordable units.

The applicant's estimate of the Contractor profit, overhead, and general requirement costs and eligible basis exceeds the 14% limitation of regulation section 10327(g). Staff adjusted accordingly resulting in a decrease in the developer fee and the recommended reservation of tax credits necessary for project feasibility.

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 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
\$281,068	\$944,734

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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 ten 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: 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 will exceed Title 24 Standards for New Construction by 25% of the California Building Code.

Points System	Max. Possible Points	Requested Points	Points Awarded
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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	2
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifamily G	5	5	5
Develop project to requirements of: GreenPoint Rated Multifamily Guic 125	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	20	15	15
Total Points	126	121	121

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.