

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2013

Project Number CA-13-872

Project Name Eden House Apartments
 Site Address: 1601 165th Ave.
 San Leandro, CA 94578 County: Alameda
 Census Tract: 4339.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$651,723	\$0
Recommended:	\$651,723	\$0

Applicant Information

Applicant: Eden House, L.P.
 Contact: Stephan Daues
 Address: 3120 Freeboard Drive Ste. 202
 West Sacramento, CA 95691
 Phone: 916-414-4440 Fax: 916-414-4490
 Email: sdaues@mercyhousing.org

General Partner(s) or Principal Owner(s):	Mercy Housing Calwest
General Partner Type:	Nonprofit
Parent Company(ies):	Mercy Housing California
Developer:	Mercy Housing California
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Mercy Housing Management Group

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 15
 Total # of Units: 116
 No. & % of Tax Credit Units: 113 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 46
 Number of Units @ or below 60% of area median income: 67

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 1, 2013
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

10 1-Bedroom Units
 72 2-Bedroom Units
 22 3-Bedroom Units
12 4-Bedroom Units
 116 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>
4 1 Bedroom	50%	40%	\$669
12 2 Bedrooms	50%	40%	\$802
16 2 Bedrooms	50%	45%	\$903
4 3 Bedrooms	50%	40%	\$928
5 3 Bedrooms	50%	45%	\$1,044
2 4 Bedrooms	50%	40%	\$1,034
2 4 Bedrooms	50%	45%	\$1,164
1 4 Bedrooms	50%	50%	\$1,293
1 1 Bedroom	60%	40%	\$669
4 1 Bedroom	60%	45%	\$752
8 2 Bedrooms	60%	45%	\$903
34 2 Bedrooms	60%	50%	\$1,003
1 3 Bedrooms	60%	45%	\$1,044
12 3 Bedrooms	60%	50%	\$1,160
7 4 Bedrooms	60%	50%	\$1,293
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$22,219,853
Estimated Residential Project Cost:	\$22,219,853

Residential

Construction Cost Per Square Foot:	\$45
Per Unit Cost:	\$191,550

Construction Financing

Source	Amount
US Bank	\$12,310,000
Seller Carryback Loan	\$7,409,768
Accrued/Deferred Interest	\$345,789
Existing Reserves	\$263,396
Deferred Developer Fee	\$164,221
Tax Credit Equity	\$559,757

Permanent Financing

Source	Amount
US Bank	\$3,566,000
General Partner Loan	\$3,750,000
Seller Carryback Loan	\$7,409,768
Accrued/Deferred Interest	\$345,789
Existing Reserves	\$263,396
Construction Period Income	\$178,106
Deferred Developer Fee	\$164,221
Tax Credit Equity	\$6,542,573
TOTAL	\$22,219,853

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,891,518
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,107,367
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,258,973
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$10,107,367
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$328,287
Maximum Annual Federal Credit, Acquisition:	\$323,436
Total Maximum Annual Federal Credit:	\$651,723
Approved Developer Fee in Project Cost:	\$1,510,632
Approved Developer Fee in Eligible Basis:	\$1,510,631
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00389

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:	\$17,998,885
Actual Eligible Basis:	\$17,998,885
Unadjusted Threshold Basis Limit:	\$38,170,848
Total Adjusted Threshold Basis Limit:	\$53,439,187

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 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 3.20% 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: None

Local Reviewing Agency:

The Local Reviewing Agency, the County of Alameda Community Development Agency, 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
\$651,723	\$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 provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site