

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 20, 2016

REVISED

Hana Gardens, located at 10860 and 10848 San Pablo Avenue in El Cerrito, requested and is being recommended for a reservation of \$1,080,548 in annual federal tax credits to finance the new construction of 62 units of housing serving seniors with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by Eden Housing, Inc. and will be located in Senate District 9 and Assembly District 15.

The project will be receiving rental assistance in the form of HUD RAD Project-based Contract and HUD Section 8 Project-based Contract. The project financing includes state funding from the IIG and AHSC programs of HCD.

Project Number CA-16-890

Project Name Hana Gardens
Site Address: 10860 and 10848 San Pablo Avenue
El Cerrito, CA 94530 County: Contra Costa
Census Tract: 3870.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,080,548	\$0
Recommended:	\$1,080,548	\$0

Applicant Information

Applicant: Eden Housing, Inc.
Contact: Linda Mandolini
Address: 22645 Grand Street
Hayward, CA 94541
Phone: (510) 582-2460 Fax: (510) 582-6523
Email: lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s): Eden Development, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc
Developer: Eden Housing, Inc.
Investor/Consultant: Community Economics
Management Agent: Eden Housing Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 63
 No. & % of Tax Credit Units: 62 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD RAD Project-based Contract (23 units - 37%) / HUD Section 8 Project-based Contract (39 units - 63%) / CDBG / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 23
 Number of Units @ or below 50% of area median income: 39

Bond Information

Issuer: Contra Costa County
 Expected Date of Issuance: November 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

62 1-Bedroom Units
 1 2-Bedroom Units

 63 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
23 1 Bedroom	30%	30%	\$548
8 1 Bedroom	45%	45%	\$822
31 1 Bedroom	50%	50%	\$914
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,425,728
Construction Costs	\$15,825,284
Rehabilitation Costs	\$0
Construction Contingency	\$1,660,670
Relocation	\$0
Architectural/Engineering	\$1,294,836
Const. Interest, Perm. Financing	\$1,550,300
Legal Fees, Appraisals	\$89,994
Reserves	\$481,642
Other Costs	\$2,379,388
Developer Fee	\$3,342,937
Commercial Costs	\$1,513,785
Total	\$32,564,564

Project Financing

Estimated Total Project Cost:	\$32,564,564
Estimated Residential Project Cost:	\$31,050,779
Estimated Commercial Project Cost:	\$1,513,785

Residential

Construction Cost Per Square Foot:	\$296
Per Unit Cost:	\$492,869
True Cash Per Unit Cost*:	\$480,761

Construction Financing

Source	Amount
Wells Fargo Bank	\$21,000,000
City of El Cerrito	\$3,950,000
Contra Costa County - HOME / CDBG	\$2,100,000
AHP	\$620,000
HCD - IIG Grant to Sponsor	\$1,399,547
Tax Credit Equity	\$500,000

Permanent Financing

Source	Amount
CCRC - Tranche A	\$689,000
CCRC - Tranche B	\$4,234,100
City of El Cerrito	\$3,958,015
Contra Costa County - HOME / CDBG	\$2,146,928
AHP	\$620,000
HCD - AHSC	\$5,271,696
HCD - IIG Grant to Sponsor	\$1,399,547
General Partner Equity	\$1,104,283
Deferred Developer Fee	\$800,000
Solar Tax Credit Equity	\$125,477
Tax Credit Equity	\$12,215,518
TOTAL	\$32,564,564

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,575,096
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$33,247,625
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,080,548
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,342,937
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.13049

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:	\$25,575,096
Actual Eligible Basis:	\$25,575,096
Unadjusted Threshold Basis Limit:	\$15,928,992
Total Adjusted Threshold Basis Limit:	\$40,164,415

Adjustments to Basis Limit

- 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: 62%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 74%

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 site will utilize two different utility allowances. The Housing Authority is requiring the applicant to use the original \$79 utility allowance that was assigned to the 23 RAD units that are being decommissioned. Additionally, the Housing Authority is requiring the applicant to use their published utility allowance of \$42 for the Section 8 units.

Local Reviewing Agency

The Local Reviewing Agency, the City of El Cerrito, 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
\$1,080,548	\$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 fifteen (15) 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

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 becoming certified under the following program:
GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated Silver standard.
- 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.