CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

Depot Willows, located at 17145 Depot Street and 50 West Edmunson Avenue in Morgan Hill, requested and is being recommended for a reservation of $1,039,778 in annual federal tax credits tax credits to finance the acquisition and rehabilitation of 37 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 17 and Assembly District 30.

Depot Willows is a scattered site project where one site is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, The Willows (CA-90-030). See **Resyndication and Resyndication Transfer Event** below for additional information. The project financing includes state funding from the RHCP and FHDP programs of HCD.

Project Number	CA-20-476	
Project Name	Depot Willows	
Site Address:	<u>Depot</u> 17145 Depot Street Morgan Hill, CA 95037	<u>The Willows</u> 50 W. Edmunson Avenue Morgan Hill, CA 95037
Census Tract:	5123.14	5123
County:	Santa Clara	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,039,778	$0
Recommended:	$1,039,778	$0

Applicant Information

Applicant:	Eden Housing, Inc.
Contact:	Andrea Osgood
Address:	22645 Grand Street Hayward, CA 94541
Phone:	510-247-8110
Email:	aosgood@edenhousing.org

General Partner(s) or Principal Owner(s):	Depot Willows LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership
Management Agent:	Eden Housing Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	39
No. / % of Low Income Units:	37 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax Exempt / CDBG / HOME

Bond Information

Issuer:	California Municipal Financy Authority
Expected Date of Issuance:	October 1, 2021

Information

Housing Type:	Non-Targeted
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Brett Andersen

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
35% AMI:	7	19%
50% AMI:	26	70%
60% AMI:	4	11%

Unit Mix

12	SRO/Studio Units
4	1-Bedroom Units
6	2-Bedroom Units
9	3-Bedroom Units
8	4-Bedroom Units
39	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	2 Bedrooms	35%	35%	$1,244
1	3 Bedrooms	35%	32%	$1,313
1	2 Bedrooms	50%	26%	$926
1	2 Bedrooms	50%	50%	$1,777
5	3 Bedrooms	50%	33%	$1,373
6	4 Bedrooms	50%	31%	$1,424
2	3 Bedrooms	60%	29%	$1,207
2	4 Bedrooms	60%	31%	$1,424
5	SRO/Studio	35%	27%	$745
7	SRO/Studio	50%	29%	$789
3	1 Bedroom	50%	50%	$1,481
3	2 Bedrooms	50%	50%	$1,777
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$11,592,214
Construction Costs	$0
Rehabilitation Costs	$6,394,450
Construction Hard Cost Contingency	$639,446
Soft Cost Contingency	$361,200
Relocation	$705,000
Architectural/Engineering	$937,000
Const. Interest, Perm. Financing	$1,029,259
Legal Fees	$105,000
Reserves	$159,736
Other Costs	$732,798
Developer Fee	$2,011,322
Commercial Costs	$0
Total	**$24,667,425**

Residential

Construction Cost Per Square Foot:	$180
Per Unit Cost:	$632,498
True Cash Per Unit Cost*:	$577,837

Construction Financing

Source	Amount
Tax Exempt Construction Loan	$12,880,028
Recycled Bond Construction Loan	$2,818,006
Seller Carryback Loan	$2,131,801
HCD RHCP	$1,770,422
HCD FHDP	$1,061,850
County CDBG	$392,412
County HOME	$320,490
Accrued Deferred Interest	$191,910
Costs Deferred Until Conversion	$1,459,805
Existing Reserves	$322,903
GP Equity	$590,158
Tax Credit Equity	$727,640

Permanent Financing

Source	Amount
Tax-Exempt Perm Loan	$3,012,000
Seller Carryback Loan	$2,131,801
HCD RHCP	$1,770,422
HCD FHDP	$1,061,850
County CDBG	$392,412
County Home	$320,490
Accrued Interest	$191,910
Sponsor NW Loan	$400,000
Income from Operations	$2,708
Sponsor Loan	$5,500,000
Existing Reserves	$322,903
GP Equity	$590,158
Tax Credit Equity	$8,970,771
TOTAL	**$24,667,425**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,286,901
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$11,321,468
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,672,971
Qualified Basis (Acquisition):	$11,321,468
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$1,039,778
Approved Developer Fee (in Project Cost & Eligible Basis	$2,011,322
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	$0.86276

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$22,608,369
Actual Eligible Basis:	$22,608,369
Unadjusted Threshold Basis Limit:	$25,013,664
Total Adjusted Threshold Basis Limit:	$51,528,148

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units Income Targeted between 50% AMI & 36% AMI: 70%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units Income Targeted at 35% AMI or Below: 36%

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 meet or 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 3.24% 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.

Significant Information / Additional Conditions:

This project involves the substantial rehabilitation of two scattered site projects in the city of Morgan Hill that were originally constructed in 1992 and 1994. One of the two scattered site projects is a current tax credit project (CA-90-030).

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-90-030). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households at the Willows (CA-90-030) site determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household at the Willows determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-90-030) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $590,158. There is a general partner equity contribution of at least $590,158, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

CDLAC Additional Conditions
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.