

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 21, 2015

Golden Oak Manor, located at 5000 Kelsey Lane in Oakley, CA, requested and is being recommended for a reservation of \$327,123 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by EAH, Inc. and will be located in Senate District 7 and Assembly District 11.

Golden Oak Manor is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Golden Oak Manor (CA-94-035).

Project Number CA-15-909

Project Name Golden Oak Manor
Site Address: 5000 Kelsey Lane
Oakley, CA 94561 County: Contra Costa
Census Tract: 3020.050

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$327,123	\$0
Recommended:	\$327,123	\$0

Applicant Information

Applicant: Golden Oak Manor II LP
Contact: Errol Dominguez
Address: 2169 East Francisco Boulevard, Suite B
San Rafael, CA 94901
Phone: 415-295-8855
Email: errol.dominguez@eahhousing.org

General Partner(s) or Principal Owner(s): Golden Oak Manor EAH LLC
General Partner Type: Nonprofit
Parent Company(ies): EAH Inc.
Developer: EAH Inc.
Investor/Consultant: Community Economics, Inc.
Management Agent: EAH Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 4
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 15
 Number of Units @ or below 60% of area median income: 34

Bond Information

Issuer: County of Contra Costa
 Expected Date of Issuance: December 1, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

49 1-Bedroom Units
 1 2-Bedroom Units

 50 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
15 1 Bedroom	50%	40%	\$697
1 1 Bedroom	60%	42%	\$734
1 1 Bedroom	60%	44%	\$764
1 1 Bedroom	60%	45%	\$782
2 1 Bedroom	60%	47%	\$815
1 1 Bedroom	60%	48%	\$830
1 1 Bedroom	60%	48%	\$840
3 1 Bedroom	60%	49%	\$846
5 1 Bedroom	60%	49%	\$861
6 1 Bedroom	60%	50%	\$871
5 1 Bedroom	60%	51%	\$882
1 1 Bedroom	60%	51%	\$887
2 1 Bedroom	60%	52%	\$908
1 1 Bedroom	60%	53%	\$921
4 1 Bedroom	60%	57%	\$992
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,675,273
Construction Costs	\$0
Rehabilitation Costs	\$2,183,596
Construction Contingency	\$283,867
Relocation	\$40,000
Architectural/Engineering	\$296,677
Construction Interest, Perm Financing	\$476,079
Legal Fees, Appraisals	\$133,131
Reserves	\$190,790
Other Costs	\$220,622
Developer Fee	\$1,157,043
Commercial Costs	\$0
Total	\$9,657,078

Project Financing

Estimated Total Project Cost:	\$9,657,078
Estimated Residential Project Cost:	\$9,657,078

Residential

Construction Cost Per Square Foot:	\$72
Per Unit Cost:	\$193,142

Construction Financing

Source	Amount
Citibank, N.A. - Tax Exempt (TE) Bonds	\$5,800,000
Contra Costa County - HOME/CDBG	\$1,108,741
City of Oakley	\$1,250,648
Seller Take-Bank Loan	\$458,856
Sponsor Loan of Project Reserves	\$56,173
Income from Operations	\$53,640
Tax Credit Equity	\$500,000

Permanent Financing

Source	Amount
Citibank, N.A. - TE Bonds	\$1,738,600
Contra Costa County - HOME/CDBG	\$1,076,241
City of Oakley	\$1,218,148
Seller Take-Back Loan	\$458,856
Accrued Interest	\$64,848
Sponsor Loan of Project Reserves	\$56,173
Sponsor Loan	\$1,300,000
Income from Operations	\$53,640
Deferred Developer Fee	\$129,969
General Partner Equity	\$367
Tax Credit Equity	\$3,560,236
TOTAL	\$9,657,078

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,473,820
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,396,840
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,515,967
Qualified Basis (Acquisition):	\$5,396,840
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$149,027
Maximum Annual Federal Credit, Acquisition:	\$178,096
Total Maximum Annual Federal Credit:	\$327,123
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,157,043
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.08835

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:	\$8,870,660
Actual Eligible Basis:	\$8,870,660
Unadjusted Threshold Basis Limit:	\$11,587,306
Total Adjusted Threshold Basis Limit:	\$15,063,498

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: 30%

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 3.30% 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 City of Oakley, 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
\$327,123	\$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 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 improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.