

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number CA-2011-867

Project Name Keller Plaza Apartments
 Site Address: 5321 Telegraph Avenue
 Oakland, CA 94609 County: Alameda
 Census Tract: 4003.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$783,530	\$0
Recommended:	\$783,530	\$0

Applicant Information

Applicant: Keller Housing Associates, L.P.
 Contact: Bridget Galka
 Address: 1801 Harrison Street , 2nd Floor
 Oakland, CA 94612
 Phone: 510-587-2142 Fax: 510-587-2145
 Email: bgalka@oakha.org

General partner(s) or principal owner(s): Keller Housing Initiatives, Inc.
 General Partner Type: Nonprofit
 Developer: Keller Housing Initiatives, Inc.
 Investor/Consultant: National Equity Fund
 Management Agent: Christian Church Homes

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 7
 Total # of Units: 201
 No. & % of Tax Credit Units: 167 84%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt / FHA 221(d)(4) / HUD GRP /
 HUD Project-based Section 8 (84% - 168 units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 145
 Number of Units @ or below 60% of area median income: 22

Bond Information

Issuer: Oakland Housing Authority
 Expected Date of Issuance: October 2011
 Credit Enhancement: PNC Bank (FHA insured financing)

Information

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

Unit Mix

40 SRO/Studio Units
 120 1-Bedroom Units
 41 2-Bedroom Units

 201 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
26 SRO/Studio	50%	50%	\$791
96 1 Bedroom	50%	50%	\$847
23 2 Bedrooms	50%	50%	\$1,016
9 SRO/Studio	60%	57%	\$900
8 1 Bedroom	60%	55%	\$936
5 2 Bedrooms	60%	56%	\$1,140
5 SRO/Studio	Market Rate	Market Rate	\$900
13 1 Bedroom	Market Rate	Market Rate	\$1,079
3 1 Bedroom	Market Rate	Market Rate	\$1,100
11 2 Bedrooms	Market Rate	Market Rate	\$1,260
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$33,398,625

Residential

Construction Cost Per Square Foot: \$95
 Per Unit Cost: \$166,162

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank - Tax Exempt Bonds	\$7,626,178	PNC Bank/ FHA 221(d)(4)	\$10,339,800
PNC Bank/ FHA 221(d)(4)	\$10,339,800	Oakland Housing Authority	\$8,200,000
Oakland Housing Authority	\$2,889,732	HUD GRP	\$2,508,079
HUD GRP	\$2,508,079	Seller Financing	\$3,854,711
Seller Financing	\$3,854,711	Existing Reserves	\$648,000
Existing Reserves	\$648,000	Income from Operations	\$740,000
Accrued Interest on HUD GRP Loan	\$12,609	Accrued Interest on HUD GRP	\$12,609
Accrued Interest on Seller Financing	\$93,861	Accrued Interest on Seller Financing	\$93,861
Tax Credit Equity	\$839,836	Tax Credit Equity	\$7,001,565
		TOTAL	\$33,398,625

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$23,351,434
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$4,593,920
Applicable Fraction:	82.46%
Qualified Basis (Rehabilitation):	\$19,256,645
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$3,788,354
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$654,726
Maximum Annual Federal Credit, Acquisition:	\$128,804
Total Maximum Annual Federal Credit:	\$783,530
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.89359

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:	\$27,945,354
Actual Eligible Basis:	\$27,945,354
Unadjusted Threshold Basis Limit:	\$53,344,480
Total Adjusted Threshold Basis Limit:	\$102,421,402

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 72%

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 3.40% 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 Oakland, 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
\$783,530	\$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 an allocation 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 educational classes and a bona fide service coordinator/social worker 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.

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 placed-in-service application is submitted:

- 1) Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less);
- 2) At least one high efficiency toilet (1.3 gallons per flush) or dual-flush toilet per unit; and
- 3) Bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer.