

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 21, 2012**

**Project Number** CA-2012-812

**Project Name** Cathedral Gardens  
Site Address: 618, 628 & 638 21st Street  
Oakland, CA 94612 County: Alameda  
Census Tract: 4028.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,455,565	\$0
Recommended:	\$1,455,565	\$0

**Applicant Information**

Applicant: EAH INC.  
Contact: Benny Kwong  
Address: 2169 E. Francisco Blvd. Ste. B  
San Rafael CA 94901  
Phone: 415-295-8857 Fax: 415-295-8957  
Email: bkwong@eahhousing.org

General partner(s) or principal owner(s): Cathedral Gardens Oakland, LLC  
General Partner Type: Nonprofit  
Developer: EAH Inc.  
Investor/Consultant: Community Economics  
Management Agent: EAH Inc.

**Project Information**

Construction Type: New Construction / Rehabilitation  
Total # Residential Buildings: 3  
Total # of Units: 100  
No. & % of Tax Credit Units: 99 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / Project Based Section 8 (40% - 40 units)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 30  
Number of Units @ or below 60% of area median income: 69

**Bond Information**

Issuer: Oakland Housing Authority  
Expected Date of Issuance: June, 2012  
Credit Enhancement: None

**Information**

Housing Type: Large Family  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

35 1-Bedroom Units  
 34 2-Bedroom Units  
 31 3-Bedroom Units  


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 100 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	50%	19%	\$322
15 1 Bedroom	60%	19%	\$322
7 1 Bedroom	60%	30%	\$526
8 1 Bedroom	60%	51%	\$876
4 2 Bedrooms	50%	30%	\$631
5 2 Bedrooms	60%	30%	\$631
14 2 Bedrooms	60%	51%	\$1,052
10 2 Bedrooms	60%	61%	\$1,263
4 3 Bedrooms	50%	30%	\$729
17 3 Bedrooms	50%	51%	\$1,215
10 3 Bedrooms	60%	61%	\$1,458
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$37,857,802  
 Estimated Residential Project Cost: \$37,857,802

**Residential**

Construction Cost Per Square Foot: \$154  
 Per Unit Cost: \$378,578

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Chase - tax-exempt construction loan	\$21,000,000
Oakland Redevelopment Agency	\$9,840,000
AHP	\$1,000,000
MHSA	\$500,000
Alameda County HOPWA Loan	\$700,000
Tax credit equity	\$2,000,000

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
JP Morgan Chase Tranche A	\$4,320,000
JP Morgan Chase Tranche B	\$4,169,000
Oakland RDA (including accrued interest)	\$10,103,867
AHP	\$1,000,000
MHSA (including accrued interest)	\$513,408
HOPWA (including accrued interest)	\$718,771
Rebates for pv system	\$434,937
GP Equity	\$1,100,000
LP equity from pv credit	\$144,383
Deferred developer fee	\$12,177
Tax Credit Equity	\$15,341,259
<b>TOTAL</b>	<b>\$37,857,802</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$34,989,531
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$45,486,391
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,455,565
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.05397

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:	\$34,989,531
Actual Eligible Basis:	\$34,989,531
Unadjusted Threshold Basis Limit:	\$30,233,422
Total Adjusted Threshold Basis Limit:	\$42,210,126

**Adjustments to Basis Limit:**

- Parking Beneath Residential Units
- 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 3.20% 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, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,455,565</b>	<b>\$0</b>

**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 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:

- Bona fide service coordinator