

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 First Round
July 11, 2012

Project Number CA-12-833

Project Name Westlake Christian Terrace East
 Site Address: 251 28th Street
 Oakland, CA 94611 County: Alameda
 Census Tract: 4035.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,180,637	\$3,475,922
Recommended:	\$1,180,637	\$3,475,922

Applicant Information

Applicant: Westlake Christian Terrace East, LP
 Contact: Eden Negash
 Address: 303 Hegenberger Road, Suite 201
 Oakland, CA 94621
 Phone: 510.746.4121 Fax: 510.632.6712
 Email: enegash@cchnc.org

General partner(s) or principal owner(s): CCHNC Westlake East Housing LLC
 General Partner Type: Nonprofit
 Developer: Christian Church Homes
 Consultant: Community Economics, Inc.
 Management Agent: Christian Church Homes

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 200
 No. & % of Tax Credit Units: 198 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Flexible Subsidy Loan & Section 8 Project-based
 Contract (91 units / 46%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 45% AMI: 110 55 %
 50% AMI: 80 40 %
 Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 50% of area median income: 198

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: August 9, 2012
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

157 SRO/Studio Units
 43 1-Bedroom Units

 200 Total Units

<u>Unit Type & 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>
80 SRO/Studio	45%	45%	\$736
14 SRO/Studio	45%	45%	\$736
62 SRO/Studio	50%	50%	\$818
11 1 Bedroom	45%	45%	\$788
5 1 Bedroom	45%	45%	\$788
26 1 Bedroom	50%	50%	\$876
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$45,834,801
 Estimated Residential Project Cost: \$45,834,801

Residential

Construction Cost Per Square Foot: \$120
 Per Unit Cost: \$229,174

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital - Tax Ex. Bonds	\$7,181,000
Citi Community Capital - Section 8 Based	\$4,788,600
Construction Loan (B Series)	\$11,814,218
HCD - Assumed CHRP-R Loan	\$4,070,541
HUD - Assumed Flexible Subsidy Loan	\$3,225,520
Seller Carryback	\$8,232,130
Cash from Operations	\$575,302
Cash from Reserves	\$1,341,997
Tax Credit Proceeds	\$788,776

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital - Tax Ex. Bonds	\$7,181,000
Citi Community Capital-Section 8 Based	\$4,788,600
HCD - Assumed CHRP-R Loan	\$4,070,541
HUD - Assumed Flexible Subsidy Loan	\$3,225,520
FHLB - AHP	\$1,000,000
Seller Carryback Financing	\$8,232,130
Cash from Operations	\$575,302
Cash from Reserves	\$1,341,997
Deferred Developer Fee	\$575,000
General Partner Equity	\$1,494
Tax Credit Equity	\$14,843,217
TOTAL	\$45,834,801

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$26,737,862
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$10,157,045
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$26,737,862
Qualified Basis (Acquisition):	\$10,157,045
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$855,612
Maximum Annual Federal Credit, Acquisition:	\$325,025
Total Maximum Annual Federal Credit:	\$1,180,637
Total State Credit:	\$3,475,922
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.05000
State Tax Credit Factor:	\$0.70385

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:	\$36,894,907
Actual Eligible Basis:	\$36,894,907
Unadjusted Threshold Basis Limit:	\$43,727,312
Total Adjusted Threshold Basis Limit:	\$87,454,624

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: 100%

Tie-Breaker Information

Final: N/A

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: This project has an existing HUD Section 8 project-based 20-year contract on 91 of the units that runs through June 2029.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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
\$1,180,637	\$3,475,922

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: The project is required under regulation section 10325(g)(2)(I) to provide adequate laundry facilities with no fewer than one washer and one dryer for every 15 units in the project.

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: 1) Utilize landscaping and construction materials which are compatible with the neighborhood in which the proposed project is to be located, and that the architectural design and construction materials will provide for low maintenance and durability, as well as be suited to the environmental conditions to which the project will be subjected. 2) Development of a percent-specific maintenance manual including replacement specifications and operating information on all energy and green building features; certification of building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdms	5	5	5
Sustainable Building Methods	10	10	9
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project to requirements of: GreenPoint 125	5	5	0
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	0
Rehabilitate to improve energy efficiency (change in HERS II rating): 15%	3	0	3
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
Additional rehab measures: Individually metered utilities per TCAC	3	3	3
Lowest Income	52	50	50
Basic Targeting	50	50	50
Readiness to Proceed	20	20	20
Total Points	126	124	123

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.