

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2012 First Round**

**July 11, 2012**

**Project Number** CA-12-032

**Project Name** Jack Capon Villa  
Site Address: 2216 Lincoln Avenue  
Alameda, CA 94501 County: Alameda  
Census Tract: 4280.000

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$443,552             | \$1,774,207        |
| Recommended:              | \$443,552             | \$1,774,207        |

**Applicant Information**

Applicant: Satellite Housing, Inc  
Contact: Cindy Heavens  
Address: 1521 University Avenue  
Berkeley, CA 94703  
Phone: 510-809-2721 Fax: 510-647-0820  
Email: cheavens@satellitehousing.org

General partner(s) or principal owner(s): Satellite Housing, Inc  
Housing Consortium of the East Bay  
General Partner Type: Nonprofit  
Developer: Satellite Housing, Inc  
Consultant: Community Economics  
Management Agent: Satellite Housing, Inc

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 19  
No. & % of Tax Credit Units: 18 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HUD Project Based Section 8 (18 Units - 100%)  
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 6 30 %  
40% AMI: 6 30 %  
50% AMI: 6 30 %

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Persons with physical, mental, development disabilities  
 % of Special Need Units: 18 units 100%  
 Geographic Area: North & East Bay Region  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

16 1-Bedroom Units  
 3 2-Bedroom Units  


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 19 Total Units

| <u>Unit Type &amp; Number</u> | <u>2012 Rents Targeted<br/>% of Area Median<br/>Income</u> | <u>2012 Rents Actual<br/>% of Area Median<br/>Income</u> | <u>Proposed<br/>Rent<br/>(including<br/>utilities)</u> |
|-------------------------------|--|--|--|
| 5 1 Bedroom                   | 30%  | 30%  | \$526  |
| 6 1 Bedroom                   | 40%  | 40%  | \$701  |
| 5 1 Bedroom                   | 50%  | 50%  | \$876  |
| 1 2 Bedrooms                  | 30%  | 30%  | \$631  |
| 1 2 Bedrooms                  | 50%  | 50%  | \$1,052  |
| 1 2 Bedrooms                  | Manager's Unit   | Manager's Unit   | \$0  |

**Project Financing**

Estimated Total Project Cost: \$8,440,250  
 Estimated Residential Project Cost: \$8,440,250

**Residential**

Construction Cost Per Square Foot: \$220  
 Per Unit Cost: \$444,224

**Construction Financing**

| <u>Source</u>                  | <u>Amount</u> |
|--------------------------------|---------------|
| Wells Fargo Bank               | \$4,835,112   |
| City of Alameda                | \$1,400,000   |
| Alameda Housing Authority Land | \$469,900     |
| City of Alameda Fee Waiver     | \$184,058     |
| AHP                            | \$180,000     |
| Tax Credit Equity              | \$600,000     |

**Permanent Financing**

| <u>Source</u>                  | <u>Amount</u>      |
|--------------------------------|--------------------|
| CCRC                           | \$479,000          |
| City of Alameda                | \$1,400,000        |
| Alameda Housing Authority Land | \$469,900          |
| City of Alameda Fee Waiver     | \$184,058          |
| AHP                            | \$180,000          |
| Deferred Developer Fee         | \$39,978           |
| Solar Credit Equity            | \$30,900           |
| Tax Credit Equity              | \$5,656,414        |
| <b>TOTAL</b>                   | <b>\$8,440,250</b> |

**Determination of Credit Amount(s)**

|  |                     |
|--|---------------------|
| Requested Eligible Basis:                                  | \$5,914,022         |
| 130% High Cost Adjustment:                                 | No                  |
| Applicable Fraction:                                       | 100.00%             |
| Qualified Basis:   | \$5,914,022         |
| Applicable Rate:   | 7.50%               |
| Maximum Annual Federal Credit:                             | \$443,552           |
| Total State Credit:  | \$1,774,207         |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$912,785           |
| Consultant:  | Community Economics |
| Federal Tax Credit Factor:                                 | \$1.00745           |
| State Tax Credit Factor:                                   | \$0.66950           |

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:  | \$5,914,022 |
| Actual Eligible Basis:                | \$6,983,019 |
| Unadjusted Threshold Basis Limit:     | \$4,241,648 |
| Total Adjusted Threshold Basis Limit: | \$6,279,023 |

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- 100% of Units for Special Needs Population
- Seismic Upgrading
- Environmental Mitigation
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

|         |                      |
|---------|----------------------|
| First:  | <b>Special Needs</b> |
| Second: | <b>45.462%</b>       |

**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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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:** TCAC regulation section 10325(g)(4)(H) and 10327(g)(3) require a 10% vacancy rate assumption for Special Needs projects, unless approved by the Executive Director. The applicant received approval from the Executive Director to utilize a 5% vacancy rate assumption as the project is 100% subsidized by HUD Project Based Section 8 Vouchers.

**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 Alameda, 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>\$443,552</b>                  | <b>\$1,774,207</b>             |

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 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.

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:** None

| <b>Points System</b>   | <b>Max. Possible Points</b> | <b>Requested Points</b> | <b>Points Awarded</b> |
|--|-----------------------------|-------------------------|-----------------------|
| <b>Cost Efficiency / Credit Reduction / Public Funds</b>                     | <b>20</b>                   | <b>20</b>               | <b>20</b>             |
| Public Funds   | 20                          | 20                      | 20                    |
| <b>Owner / Management Characteristics</b>                                    | <b>9</b>                    | <b>9</b>                | <b>9</b>              |
| General Partner Experience   | 6                           | 6                       | 6                     |
| Management Experience  | 3                           | 3                       | 3                     |
| <b>Housing Needs</b>   | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>Site Amenities</b>  | <b>15</b>                   | <b>15</b>               | <b>15</b>             |
| Within ¼ mile of transit stop, service every 30 minutes in rush hours        | 6                           | 6                       | 6                     |
| Within ¼ mile of public park or community center open to general public      | 3                           | 3                       | 3                     |
| Within ¼ mile of public library  | 3                           | 3                       | 3                     |
| Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf   | 3                           | 3                       | 3                     |
| Within 1 mile of medical clinic or hospital                                  | 2                           | 2                       | 2                     |
| Within ¼ mile of a pharmacy  | 2                           | 2                       | 2                     |
| <b>Service Amenities</b>   | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>                                   |                             |                         |                       |
| Case Manager, minimum ratio of 1 FTE to 100 bedrooms                         | 5                           | 5                       | 5                     |
| Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms | 5                           | 5                       | 5                     |
| Adult ed/health & wellness/skill bldg classes, min 84 hrs/yr instruction     | 5                           | 5                       | 5                     |
| Health/behavioral services provided by licensed org. or individual           | 5                           | 5                       | 5                     |
| <b>Sustainable Building Methods</b>  | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>                                       |                             |                         |                       |
| Develop project in accordance w/ requirements of: GreenPoint Rated           | 5                           | 5                       | 5                     |
| Develop project to requirements of: GreenPoint Rated 125                     | 5                           | 5                       | 5                     |
| <b>Lowest Income</b>   | <b>52</b>                   | <b>52</b>               | <b>52</b>             |
| Basic Targeting  | 50                          | 50                      | 50                    |
| Deeper Targeting – at least 10% of units @ 30% AMI or less                   | 2                           | 2                       | 2                     |
| <b>Readiness to Proceed</b>  | <b>20</b>                   | <b>20</b>               | <b>20</b>             |
| <b>Miscellaneous Federal and State Policies</b>                              | <b>2</b>                    | <b>2</b>                | <b>2</b>              |
| Universal Design   | 1                           | 1                       | 1                     |
| Smoke Free Residence   | 1                           | 1                       | 1                     |
| <b>Total Points</b>  | <b>148</b>                  | <b>148</b>              | <b>148</b>            |

**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.**