

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
January 23, 2013**

**Project Number** CA-13-805

**Project Name** MacArthur Apartments  
Site Address: 9800 MacArthur Blvd.  
Oakland, CA 94605 County: Alameda  
Census Tract: 4101.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$622,296	\$0
Recommended:	\$622,296	\$0

**Applicant Information**

Applicant: AMCAL MacArthur Fund, L.P.  
Contact: Arjun Nagarkatti  
Address: 30141 Agoura Rd #100  
Agoura Hills, CA 91301  
Phone: 818-706-0694 Fax: 818-865-1813  
Email: arjun@amcalhousing.com

General partner(s) or principal owner(s): AMCAL Multi-Housing, Inc.  
Las Palmas Foundation  
General Partner Type: Joint Venture  
Developer: AMCAL Enterprises, Inc.  
Investor/Consultant: Union Bank, N.A  
Management Agent: FPI Management

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 32  
No. & % of Tax Credit Units: 31 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (14 units / 45%)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 14  
Number of Units @ or below 50% of area median income: 16  
Number of Units @ or below 60% of area median income: 1

**Bond Information**

Issuer: California Municipal Finance Agency  
 Date of Issuance: December 14, 2012  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Connie Osorio

**Unit Mix**

14 1-Bedroom Units  
 8 2-Bedroom Units  
 10 3-Bedroom Units  


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 32 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>
4 1 Bedroom	30%	14%	\$249
1 1 Bedroom	35%	14%	\$249
7 1 Bedroom	35%	35%	\$613
1 1 Bedroom	50%	50%	\$876
1 1 Bedroom	60%	51%	\$897
1 2 Bedrooms	30%	17%	\$349
6 2 Bedrooms	50%	50%	\$1,052
1 3 Bedrooms	30%	18%	\$449
9 3 Bedrooms	50%	50%	\$1,215
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,107

**Project Financing**

Estimated Total Project Cost: \$17,566,920  
 Estimated Residential Project Cost: \$17,359,919  
 Estimated Commercial Project Cost: \$207,001

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$10,276,152
City of Oakland CEDA	\$4,485,000
MHSA	\$703,000
GP Capital Contribution	\$1,960,995
General Partner Loan	\$48,856
Tax Credit Equity	\$92,916

**Residential**

Construction Cost Per Square Foot: \$212  
 Per Unit Cost: \$542,497

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$2,860,000
City of Oakland CEDA	\$4,485,000
MHSA	\$703,000
AHP	\$310,000
GP Capital Contribution	\$1,960,995
General Partner Contribution	\$383,078
Deferred Contractor Fee	\$472,000
Tax Credit Equity	\$6,392,847
<b>TOTAL</b>	<b>\$17,566,920</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,034,304
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,544,595
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$622,296
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,960,995
Investor/Consultant:	Union Bank, N.A.
Federal Tax Credit Factor:	\$1.02730

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:	\$15,034,304
Actual Eligible Basis:	\$15,034,304
Unadjusted Threshold Basis Limit:	\$9,540,332
Total Adjusted Threshold Basis Limit:	\$26,522,122

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 51%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 90%

**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 meet 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:**

Staff noted a per unit development cost of \$542,497 per unit. The high cost can be attributed to increasing construction costs due to its hill-side location and need for grading permits and hiring requirements that are imposed by the City of Oakland. The City of Oakland requires 20% of contract value to be awarded to Oakland-based business, 10% of all subcontractors a to be Oakland-based business and that 50% of all labor hours be manned by Oakland residents. In addition, the East Bay Municipal Utility District requires that any building under four stories be individually metered for water where the tenants are billed directly for water and sewer by East Bay Municipal Utility District. The water meters are located in the sidewalk along property line.

**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>\$622,296</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 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 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:

- Educational classes
- Bona fide service coordinator

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 becoming certified under the following program: GreenPoint Rated Multifamily Guidelines 125.
- The project is a new construction or adaptive reuse project that exceeds Title 24 Energy Standards by at least 17.5%.