

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 18, 2015**

Project Number CA-15-807

Project Name Northgate Terrace Apartments
Site Address: 550 24th Street
Oakland, CA 94612 County: Alameda
Census Tract: 4013.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,593,171	\$0
Recommended:	\$1,593,171	\$0

Applicant Information

Applicant: Northgate Terrace Community Partners, LP
Contact: Seth Gellis
Address: 17782 Sky Park Circle
Irvine, CA 92614
Phone: (949) 236-8280 Fax: 714-662-4412
Email: sgellis@wncinc.com

General Partner(s) or Principal Owner(s): FFAH - Northgate Terrace, LLC
General Partner Type: Nonprofit
Parent Company(ies): Foundation For Affordable Housing
Developer: Northgate Terrace Preservation Developer
Investor/Consultant: WNC & Associates
Management Agent: Related Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 201
No. & % of Tax Credit Units: 199 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (155 Units / 78%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 179

Bond Information

Issuer: California Statewide Community Development Authority
Expected Date of Issuance: April 1, 2015
Credit Enhancement: N/A

Information

Housing Type: At-Risk
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

180 SRO/Studio Units
 20 1-Bedroom Units
 1 2-Bedroom Units

 201 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
121 SRO/Studio	60%	60%	\$966
18 SRO/Studio	50%	50%	\$805
14 1 Bedroom	60%	60%	\$1,035
2 1 Bedroom	50%	50%	\$862
41 SRO/Studio	60%	60%	\$966
3 1 Bedroom	60%	60%	\$1,035
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,035

Project Financing

Estimated Total Project Cost: \$47,508,418
 Estimated Residential Project Cost: \$47,508,418

Residential

Construction Cost Per Square Foot: \$152
 Per Unit Cost: \$236,360

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank N.A. - Tax Exempt (T.E.) Bonds	\$29,500,000
Capitalized Interest	\$850,000
Replacement Reserve	\$1,237,987
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$13,420,431

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank N.A. - T.E. Bonds	\$29,500,000
Capitalized Interest	\$850,000
Replacement Reserve	\$1,237,987
Deferred Developer Fee	\$466,672
Tax Credit Equity	\$15,453,759
TOTAL	\$47,508,418

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,742,794
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$25,650,164
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,765,632
Qualified Basis (Acquisition):	\$25,650,164
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$731,325
Maximum Annual Federal Credit, Acquisition:	\$861,846
Total Maximum Annual Federal Credit:	\$1,593,171
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.97000

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:	\$42,392,958
Actual Eligible Basis:	\$42,392,958
Unadjusted Threshold Basis Limit:	\$43,041,560
Total Adjusted Threshold Basis Limit:	\$51,649,872

Adjustments to Basis Limit:

- 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: 10%

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 3.36% 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 is senior-restricted and has an existing HUD Section 8 project-based contract for 155 of the affordable units (78%).

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
\$1,593,171	\$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 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: None.