

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 16, 2016

Tabora Gardens Senior Apartments, located at south east corner of Tabora Drive and James Donlon Boulevard in Antioch, requested and is being recommended for a reservation of \$1,123,819 in annual federal tax credits to finance the new construction of 84 units of housing serving seniors with rents affordable to households earning 20-50% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and will be located in Senate District 7 and Assembly District 11.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract. The project financing includes state funding from the MHP and VHHP programs of HCD.

Project Number CA-16-816

Project Name Tabora Gardens Senior Apartments
Site Address: South east corner of Tabora Drive and James Donlon Boulevard
Antioch, CA 94509 County: Contra Costa
Census Tract: 3071.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,123,819	\$0
Recommended:	\$1,123,819	\$0

Applicant Information

Applicant: Satellite Affordable Housing Associates
Contact: Jonathan Astmann
Address: 1835 Alcatraz Avenue
Berkeley CA 94703
Phone: (510) 809-2769 **Fax:** (510) 649-0312
Email: jastmann@sahahomes.org

General Partner(s) or Principal Owner(s): Satellite AHA Development Inc.
General Partner Type: Nonprofit
Parent Company(ies): Satellite Affordable Housing Associates
Developer: Satellite Affordable Housing Associates
Investor/Consultant: Community Economics, Inc.
Management Agent: SAHA Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 85
 No. & % of Tax Credit Units: 84 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG / NSP / HOPWA / HUD Section 8 Project-based Contract (39 units - 46%)
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 30
 Number of Units @ or below 50% of area median income: 54

Bond Information

Issuer: County of Contra Costa
 Expected Date of Issuance: July 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

84 1-Bedroom Units
 1 2-Bedroom Units

 85 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	20%	20%	\$348
5 1 Bedroom	20%	20%	\$348
8 1 Bedroom	20%	20%	\$348
5 1 Bedroom	30%	30%	\$523
5 1 Bedroom	30%	30%	\$523
9 1 Bedroom	40%	40%	\$697
4 1 Bedroom	50%	49%	\$854
3 1 Bedroom	50%	49%	\$854
38 1 Bedroom	50%	49%	\$854
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,296,039
Construction Costs	\$17,446,765
Construction Contingency	\$1,783,145
Relocation	\$0
Architectural/Engineering	\$1,167,568
Construction Interest, Perm Financing	\$2,088,179
Legal Fees, Appraisals	\$40,000
Reserves	\$2,174,749
Other Costs	\$2,360,134
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$31,856,579

Project Financing

Estimated Total Project Cost:	\$31,856,579
Estimated Residential Project Cost:	\$31,856,579

Residential

Construction Cost Per Square Foot:	\$227
Per Unit Cost:	\$374,783

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo - TE Bonds	\$24,000,000
City of Antioch - NSP/CDBG	\$2,383,755
City of Antioch - RDA	\$900,000
Tax Credit Equity	\$609,212

Permanent Financing

<u>Source</u>	<u>Amount</u>
City of Antioch - NSP/CDBG	\$2,383,755
City of Antioch - RDA	\$900,000
Contra Costa County - NSP	\$550,000
Contra Costa County - HOPWA	\$650,000
Contra Costa County - SLT	\$1,100,000
Contra Costa County - HOME	\$700,000
HCD - VHHP	\$5,246,781
HCD - MHP	\$6,901,000
Deferred Developer Fee	\$718,061
GP Equity	\$581,939
PV Tax Credit Equity	\$87,538
Tax Credit Equity	\$12,037,505
TOTAL	\$31,856,579

Determination of Credit Amount(s)

Requested Eligible Basis:	\$26,196,248
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$34,055,123
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,123,819
Approved Developer Fee Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.07112

Per Regulation Section 10322(h)(9)(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:	\$26,196,248
Actual Eligible Basis:	\$26,196,248
Unadjusted Threshold Basis Limit:	\$19,665,096
Total Adjusted Threshold Basis Limit:	\$52,747,552

Adjustments to Basis Limit

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 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: 64%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 70%

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 3.30% 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

Special Issues/Other Significant Information: N/A

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,123,819	\$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: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (15) 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site