

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 20, 2016

REVISED

Newark Station Seniors, located at 37433 Willow Street in Newark, requested and is being recommended for a reservation of \$740,592 in annual federal tax credits to finance the new construction of 74 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by USA Multifamily Housing, Inc. and will be located in Senate District 10 and Assembly District 25.

Project Number CA-16-909

Project Name Newark Station Seniors
Site Address: 37433 Willow Street
Newark, CA 94560 County: Alameda
Census Tract: 4443.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$740,592	\$0
Recommended:	\$740,592	\$0

Applicant Information

Applicant: Newark 618, L.P.
Contact: Geoffrey C. Brown
Address: 3200 Douglas Blvd., Suite 200
Roseville, CA 95661
Phone: (916) 724-3801 **Fax:** (916) 773-5866
Email: gbrown@usapropfund.com

General Partner(s) or Principal Owner(s): USA Newark 618, Inc.
Riverside Charitable Corporation

General Partner Type: Joint Venture

Parent Company(ies): USA Properties Fund, Inc.
Riverside Charitable Corporation

Developer: USA Multifamily Housing, Inc.

Investor/Consultant: WNC & Associates, Inc.

Management Agent: USA Multifamily Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 75
 No. & % of Tax Credit Units: 74 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 15
 Number of Units @ or below 60% of area median income: 59

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 23, 2016
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Marisol Parks

Unit Mix

63 1-Bedroom Units
 12 2-Bedroom Units

 75 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 1 Bedroom	50%	48%	\$871
51 1 Bedroom	60%	57%	\$1,046
3 2 Bedrooms	50%	48%	\$1,046
8 2 Bedrooms	60%	57%	\$1,255
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,216

Project Cost Summary at Application

Land and Acquisition	\$1
Construction Costs	\$11,074,378
Rehabilitation Costs	\$0
Construction Contingency	\$755,018
Relocation	\$0
Architectural/Engineering	\$850,000
Construction Interest, Perm Financing	\$870,113
Legal Fees, Appraisals	\$125,000
Reserves	\$203,571
Other Costs	\$2,564,421
Developer Fee	\$2,286,369
Commercial Costs	\$0
Total	\$18,728,871

Project Financing

Estimated Total Project Cost:	\$18,728,871
Estimated Residential Project Cost:	\$18,728,871
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$166
Per Unit Cost:	\$249,718
True Cash Per Unit Cost:	\$240,616

Construction Financing

Source	Amount
Citibank, N.A.	\$14,750,000
SHH Project Owner, LLC	\$2,000,000
Tax Credit Equity	\$1,978,871

Permanent Financing

Source	Amount
Citibank, N.A.	\$6,170,000
SHH Project Owner, LLC	\$4,100,000
Deferred Developer Fee	\$682,655
Tax Credit Equity	\$7,776,216
TOTAL	\$18,728,871

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,528,827
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,787,475
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$740,592
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,286,369
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$1.05000

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:	\$17,528,827
Actual Eligible Basis:	\$17,528,827
Unadjusted Threshold Basis Limit:	\$19,011,192
Total Adjusted Threshold Basis Limit:	\$27,051,233

Adjustments to Basis Limit

- 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: 20%

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 3.25% 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: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Newark, 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
\$740,592	\$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.