CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 13, 2017

Camino 23, located at 1233-1245 23rd Avenue in Oakland, requested and is being recommended for a reservation of $965,603 in annual federal tax credits to finance the new construction of 36 units of housing serving tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and will be located in Senate District 9 and Assembly District 18.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Infill Infrastructure Grant (IIG) and Affordable Housing Sustainable Communities (AHSC) programs of HCD.

Project Number CA-17-812

Project Name	Camino 23	
Site Address:	1233-1245 23rd Ave.	
	Oakland, CA 94606	County: Alameda
Census Tract:	4060.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$965,603	$0
Recommended:	$965,603	$0

Applicant Information

Applicant:	Satellite Affordable Housing Associates
Contact:	Adam Kuperman
Address:	1835 Alcatraz Ave Berkeley, CA 94703
Phone:	510.809.2725
Email:	akuperman@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
Management Agent:	Satellite Affordable Housing Associates

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	37
No. & % of Tax Credit Units:	36 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (26 units - 72%) / HOPWA
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 35% of area median income: 9

Number of Units @ or below 50% of area median income: 27

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	April 15, 2018
Credit Enhancement:	None

Information

Housing Type:	Non-Targeted
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Carmen Doonan

Unit Mix

30	1-Bedroom Units
6	2-Bedroom Units
1	3-Bedroom Units
37	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	30%	20%	$391
5	1 Bedroom	30%	30%	$587
9	1 Bedroom	40%	40%	$783
13	1 Bedroom	50%	50%	$978
1	2 Bedrooms	30%	30%	$704
2	2 Bedrooms	40%	40%	$939
3	2 Bedrooms	50%	50%	$1,173
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $25,652,220

Project Cost Summary at Application

Land and Acquisition	$758,380
Construction Costs	$14,712,000
Rehabilitation Costs	$0
Construction Contingency	$1,471,192
Relocation	$0
Architectural/Engineering	$1,012,378
Const. Interest, Perm. Financing	$2,134,266
Legal Fees, Appraisals	$105,442
Reserves	$814,197
Other Costs	$1,542,513
Developer Fee	$2,984,837
Commercial Costs	$190,898
Total	**$25,726,104**

Project Financing

Estimated Total Project Cost:	$25,726,104
Estimated Residential Project Cost:	$25,535,206
Estimated Commercial Project Cost:	$190,898

Residential

Construction Cost Per Square Foot:	$484
Per Unit Cost:	$690,141
True Cash Per Unit Cost*:	$649,002

Construction Financing

Source	Amount
Wells Fargo - Tax Exempt Bond	$15,000,000
Wells Fargo - Taxable Bond	$3,000,000
City of Oakland 1	$700,000
City of Oakland 2	$500,000
Alameda County - HOPWA	$500,000
HCD - IIG	$1,698,504
AHP	$390,000
Tax Credit	$1,000,000

Permanent Financing

Source	Amount
Permanent Loan	$3,925,900
City of Oakland 1	$715,643
City of Oakland 2	$511,173
Alameda County - Measure A1	$4,200,000
Alameda County - HOPWA	$511,173
HCD - IIG	$1,698,504
HCD - AHSC	$2,239,705
AHP	$390,000
General Partner Equity	$50,000
Deferred Developer Fee	$1,533,524
Solar Tax Credit Equity	$58,491
Tax Credit Equity	$9,891,991
TOTAL	**$25,726,104**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	$22,854,508
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$29,710,860
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$965,603
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,984,837
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$1.02444

Per Regulation Section 10327(c)(6), 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:	$22,854,508
Actual Eligible Basis:	$22,854,508
Unadjusted Threshold Basis Limit:	$10,210,828
Total Adjusted Threshold Basis Limit:	$27,225,434

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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: 75%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 50%

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: N/A

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
$965,603	**$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 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 Leadership in Energy & Environmental Design (LEED) or GreenPoint Rated Multifamily Guidelines
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.