CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 16, 2018

San Pablo Hotel, located at 1955 San Pablo Avenue in Oakland, requested and is being recommended for a reservation of $1,670,306 in annual federal tax credits to finance the acquisition and rehabilitation of 142 units of housing serving tenants with rents affordable to households earning 40% of area median income (AMI). The project will be developed by East Bay Asian Local Development Corporation and is located in Senate District 9 and Assembly District 18.

San Pablo Hotel is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, San Pablo Hotel (CA-1992-057). See **Resyndication and Resyndication Transfer Event** below for additional information. 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 CALDAP program of HCD.

Project Number CA-18-747

Project Name San Pablo Hotel
Site Address: 1955 San Pablo Avenue
Oakland, CA 94612 County: Alameda
Census Tract: 4028.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,670,306	$0
Recommended:	$1,670,306	$0

Applicant Information
Applicant: San Pablo Hotel Associates II, LP
Contact: Joshua Simon
Address: 1855 San Pablo Avenue, Suite 200
Oakland, CA 94612
Phone: 510-606-1840
Email: jsimon@ebaldc.org

General Partner(s) or Principal Owner(s): San Pablo Hotel Associates II, LLC
General Partner Type: Nonprofit
Parent Company(ies): East Bay Asian Local Development Corporation
Developer: East Bay Asian Local Development Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: East Bay Asian Local Development Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	144
No. / % of Low Income Units:	142 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / Section 8 Project Based Vouchers (100% - 142 units)

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	August 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	East Bay Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	142	100%

Unit Mix

144	SRO/Studio Units
144	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	40%	40%	$731
30	SRO/Studio	40%	30%	$548
110	SRO/Studio	40%	30%	$548
2	SRO/Studio	Manager's Unit	Manager's Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $27,965,520

Project Cost Summary at Application	
Land and Acquisition	$20,218,899
Construction Costs	$0
Rehabilitation Costs	$12,965,811
Construction Contingency	$1,944,872
Relocation	$992,346
Architectural/Engineering	$861,356
Const. Interest, Perm. Financing	$2,292,705
Legal Fees, Appraisals	$139,876
Reserves	$400,934
Other Costs	$864,295
Developer Fee	$5,831,843
Commercial Costs	$511,919
Total	**$47,024,856**

Residential	
Construction Cost Per Square Foot:	$181
Per Unit Cost:	$322,697
True Cash Per Unit Cost*:	$305,768

Construction Financing

Source	Amount
Citi Community Capital	$27,154,798
HCD / CALDAP - Assumed Debt	$8,304,956
City of Oakland - Assumed RDA	$4,348,738
Eden Housing - Assumed Debt	$90,000
Deferred Costs	$2,802,431
Deferred Developer Fee	$2,944,301
Tax Credit Equity	$1,379,632

Permanent Financing

Source	Amount
Citi Community Capital	$7,618,479
HCD / CALDAP - Assumed Debt	$8,304,956
City of Oakland - Assumed RDA	$4,348,738
Eden Housing - Assumed Debt	$90,000
Income from Operations	$282,245
General Partner Loan	$7,776,820
Deferred Developer Fee	$2,944,301
Tax Credit Equity	$15,659,317
TOTAL	**$47,024,856**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$21,378,397
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$23,287,768
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$27,791,916
Qualified Basis (Acquisition):	$23,287,768
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$908,796
Maximum Annual Federal Credit, Acquisition:	$761,510
Total Maximum Annual Federal Credit:	$1,670,306
Approved Developer Fee in Project Cost:	$5,831,843
Approved Developer Fee in Eligible Basis:	$5,787,209
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.93751

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$44,666,165
Actual Eligible Basis:	$44,666,165
Unadjusted Threshold Basis Limit:	$41,828,544
Total Adjusted Threshold Basis Limit:	$87,839,942

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.27% 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.

Significant Information / Additional Conditions
The proposed rents do not include any utility allowance. The owner will pay for all utilities.

TCAC received, in the application, a waiver request dated March 13, 2018 to the Minimum Construction Standard Regulation 10325(f)(7)(A). The waiver request is currently under review. Unless the waiver is approved, TCAC expects the project to meet the Minimum Construction Standard for energy efficiency by documenting at least a 10% post-rehabilitation improvement over existing conditions.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1992-057). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-1992-057) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication (CA-1992-057) subject to the hold harmless rent limits. The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on the year in which the existing TCAC projects were originally placed-in-service year 1994. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for 142 units at or below 40% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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.

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.

CDLAC 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 a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.