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

Hookston Senior Apartments, located at 80 W. Hookston Road in Pleasant Hill, requested and is being recommended for a reservation of $1,393,431 in annual federal tax credits to finance the acquisition and rehabilitation of 99 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and is located in Senate District 3 and Assembly District 14.

Hookston Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Hookston Senior Homes (CA-1998-820). 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 and RAD Rental Assistance. The project financing includes state funding from CalHFA.

Project Number	CA-18-757

Project Name	Hookston Senior Apartments
Site Address:	80 W Hookston Road Pleasant Hill, CA 94523 County: Contra Costa
Census Tract:	3240.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,393,431	$0
Recommended:	$1,393,431	$0

Applicant Information

Applicant:	Satellite Affordable Housing Associates
Contact:	Aubra Levine
Address:	1835 Alcatraz Avenue Berkeley, CA 94703
Phone:	(510) 809-2752
Email:	alevine@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:	California Housing Partnership Corp.
Management Agent:	Satellite Affordable Housing Associates Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	100
No. / % of Low Income Units:	99 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD RAD (5 units - 5%) / HUD Section 8 Project-based Vouchers (39 units - 39%)

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	October 1, 2018

Information

Housing Type:	Seniors
Geographic Area:	East Bay Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 35% AMI:	10	10%
At or Below 50% AMI:	70	71%
At or Below 60% AMI:	19	19%

Unit Mix

84	1-Bedroom Units
16	2-Bedroom Units
100	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	30%	30%	$587
4	1 Bedroom	30%	30%	$587
1	2 Bedrooms	30%	30%	$704
1	2 Bedrooms	30%	30%	$704
20	1 Bedroom	50%	50%	$978
9	1 Bedroom	50%	50%	$978
30	1 Bedroom	50%	50%	$978
1	2 Bedrooms	50%	50%	$1,173
10	2 Bedrooms	50%	50%	$1,173
3	1 Bedroom	60%	60%	$1,174
1	1 Bedroom	60%	60%	$1,174
13	1 Bedroom	60%	60%	$1,174
2	2 Bedrooms	60%	60%	$1,408
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $45,193,500

Project Cost Summary at Application	
Land and Acquisition	$19,510,000
Construction Costs	$0
Rehabilitation Costs	$10,151,649
Construction Contingency	$1,015,165
Relocation	$985,000
Architectural/Engineering	$477,179
Const. Interest, Perm. Financing	$2,512,442
Legal Fees, Appraisals	$40,000
Reserves	$459,025
Other Costs	$609,228
Developer Fee	$4,950,639
Commercial Costs	$0
Total	**$40,710,327**

Residential

Construction Cost Per Square Foot:	$148
Per Unit Cost:	$407,103
True Cash Per Unit Cost*:	$394,103

Construction Financing

Source	Amount
CalHFA - T.E. Bonds	$23,920,000
Seller Carryback	$10,843,436
Deferred Costs	$3,160,153
Deferred Interest	$413,496
Deferred Developer Fee	$1,300,000
GP Contribution - Seller Reserves	$312,824
General Partner Equity	$100
Tax Credit Equity	$760,318

Permanent Financing

Source	Amount
CalHFA - T.E. Bonds	$9,428,000
Seller Carryback	$10,843,436
Seller Perm Loan	$4,000,000
Deferred Interest	$413,496
Deferred Developer Fee	$1,300,000
GP Contribution - Seller Reserves	$312,824
General Partner Equity	$1,150,639
Tax Credit Equity	$13,261,932
TOTAL	**$40,710,327**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$15,525,495
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$22,429,407
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$20,183,143
Qualified Basis (Acquisition):	$22,429,407
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$659,989
Maximum Annual Federal Credit, Acquisition:	$733,442
Total Maximum Annual Federal Credit:	$1,393,431
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,950,639
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	$0.95175

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:	$37,954,901
Actual Eligible Basis:	$37,954,901
Unadjusted Threshold Basis Limit:	$37,268,804
Total Adjusted Threshold Basis Limit:	$78,264,489

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 70%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 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 3.27% 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: None.

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-1998-820). 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(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). 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-1998-820) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (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

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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- 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.