

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 18, 2018

REVISED

Madison Park Apartments, located at 100 9th Street in Oakland, requested and is being recommended for a reservation of \$1,340,297 in annual federal tax credits to finance the acquisition and rehabilitation of 96 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by East Bay Asian Local Development Corporation 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 California Housing and Rehabilitation Program (CHRP) of HCD.

Project Number CA-18-603

Project Name Madison Park Apartments
Site Address: 100 9th Street
Oakland, CA 94607 County: Alameda
Census Tract: 4033.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,340,297	\$0
Recommended:	\$1,340,297	\$0

Applicant Information

Applicant: Madison Park Housing Associates II, LP
Contact: Joshua Simon
Address: 1825 San Pablo Ave. Ste. 200
Oakland, CA 94612
Phone: 510-287-5353
Email: jsimon@ebaldc.org

General Partner(s) or Principal Owner(s): Madison Park Housing 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: 98
 No. / % of Low Income Units: 96 98%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based Vouchers (96 Units - 100%)

Bond Information

Issuer: California Municipal Finance Agency
 Expected Date of Issuance: November 6, 2018

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
At or Below 50% AMI: 24	25%
At or Below 60% AMI: 72	75%

Unit Mix

20 SRO/Studio Units
69 1-Bedroom Units
9 2-Bedroom Units
<u>98 Total Units</u>

<u>Unit Type</u> <u>& Number</u>	<u>2018 Rents</u> <u>Targeted % of</u> <u>Area Median</u> <u>Income</u>	<u>2018 Rents Actual</u> <u>% of Area Median</u> <u>Income</u>	<u>Proposed Rent</u> <u>(including</u> <u>utilities)</u>
7 SRO/Studio	50%	50%	\$1,017
12 1 Bedroom	50%	50%	\$1,090
5 2 Bedrooms	50%	50%	\$1,307
9 SRO/Studio	60%	50%	\$1,017
2 1 Bedroom	60%	50%	\$1,090
3 2 Bedrooms	60%	52%	\$1,370
4 SRO/Studio	60%	50%	\$1,017
54 1 Bedroom	60%	57%	\$1,250
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$32,560,440

Project Cost Summary at Application

Land and Acquisition	\$21,530,100
Construction Costs	\$0
Rehabilitation Costs	\$10,913,788
Construction Contingency	\$1,628,068
Relocation	\$1,000,000
Architectural/Engineering	\$1,481,000
Const. Interest, Perm. Financing	\$1,920,910
Legal Fees, Appraisals	\$51,000
Reserves	\$1,783,231
Other Costs	\$2,999,299
Developer Fee	\$5,664,626
Commercial Costs	\$0
Total	\$48,972,022

Residential

Construction Cost Per Square Foot:	\$157
Per Unit Cost:	\$499,715
True Cash Per Unit Cost*:	\$407,128

Construction Financing

Source	Amount
Citi Community Capital	\$24,251,493
HCD CHRP - Assumed ¹	\$1,633,914
City of Oakland	\$6,722,990
Deferred Interest	\$642,397
Seller Carryback Loan	\$5,908,898
Acquired Project Reserves	\$1,006,317
Costs Deferred Until Conversion	\$3,293,644
General Partner Equity	\$1,006,317
Deferred Developer Fee	\$3,164,626
Tax Credit Equity	\$1,341,426

Permanent Financing

Source	Amount
Tranche A ²	\$6,520,000
Tranche B ²	\$2,204,000
HCD CHRP- Assumed ¹	\$1,633,914
City of Oakland	\$6,722,990
Deferred Interest	\$642,397
Seller Carryback Loan	\$5,908,898
Sponsor Loan	\$5,000,000
Acquired Project Reserves	\$1,006,317
Income from Operations	\$353,302
Deferred Developer Fee	\$3,164,626
General Partner Equity	\$1,006,317
Historic Tax Credit Equity	\$1,830,665
Tax Credit Equity	\$12,978,596
TOTAL	\$48,972,022

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

¹ HCD California Housing Rehabilitation Program

²Citi Community Capital

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,475,832
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$24,511,838
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$16,475,832
Qualified Basis (Acquisition):	\$24,511,838
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$538,760
Maximum Annual Federal Credit, Acquisition:	\$801,537
Total Maximum Annual Federal Credit:	\$1,340,297
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,664,626
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.96834

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$40,987,670
Actual Eligible Basis:	\$40,987,670
Unadjusted Threshold Basis Limit:	\$32,554,724
Total Adjusted Threshold Basis Limit:	\$43,948,877

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: 25%

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:

This project has been granted a partial waiver from the accessibility requirements of CTCAC Regulation Section 10325(f)(7)(K). The building is listed on the National Register of Historic Places and the interior corridors are considered a character-defining feature of the structure. The current ramp does not fully comply with current Chapter 11(B) standards due to site constraints. A waiver has been granted to allow the existing ramp to meet the requirements for a path of travel between the building entry and public right of way. The project shall continue to provide 10% mobility accessible units and 4% communication accessible units that meet Chapter 11(B) standards.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Oakland, has completed a site review of this project and strongly supports this project.

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: None.