CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

Empyrean Harrison Renovation, located at 344 13th Street and 1415 Harrison Street in Oakland, requested and is being recommended for a reservation of $2,184,453 in annual federal tax credits to finance the acquisition and rehabilitation of 146 units of housing serving tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Resources for Community Development and is located in Senate District 9 and Assembly District 18.

Empyrean Harrision Renovation is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Harrison Hotel (CA-1994-141). 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 Alameda County Shelter Care. The project financing includes state funding from the MHP and AHSC programs of HCD.

Project Number	CA-18-609	
Project Name	Empyrean Harrison Renovation	
Site Address:	<u>**Empyrean Towers**</u> 344 13th Street Oakland, CA 94612	<u>**Harrison Hotel**</u> 1415 Harrison Oakland, CA 94612
Census Tract:	4030.00	4029.00
County:	Alameda	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,184,453	$0
Recommended:	$2,184,453	$0

Applicant Information

Applicant:	Resources for Community Development
Contact:	Daniel Sawislak
Address:	2220 Oxford St Berkeley, CA 94704
Phone:	(510) 841-4410
Email:	dsawislak@rcdhousing.org

General Partner(s) or Principal Owner(s):	RCD GP II, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Resources for Community Development
Developer:	Resources for Community Development
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	The John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	147
No. / % of Low Income Units:	146 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / Harrision Hotel - HUD Shelter Plus Care (51 units-78.5%)
	Empyrean Tower - HUD Section 8 Project Based Vouchers (32 units-39.5%

Bond Information

Issuer:	Alameda County
Expected Date of Issuance:	September 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 35% AMI:	59	40%
At or Below 50% AMI:	22	15%
At or Below 60% AMI:	55	38%
At or Below 80% AMI:	10	7%

Unit Mix

135	SRO/Studio Units
12	1-Bedroom Units
147	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
Harrison Hotel				
59	SRO/Studio	30%	25%	$512
22	SRO/Studio	50%	36%	$725
Empyrean Towers				
17	SRO/Studio	60%	27%	$548
15	SRO/Studio	60%	45%	$913
12	SRO/Studio	60%	48%	$980
11	1 Bedroom	60%	49%	$1,075
10	SRO/Studio	80%	48%	$980
1	1 Bedroom	Manager's Unit	Manager's Unit	0

TCAC-confirmed Projected Lifetime Rent Benefit: $142,728,960

Project Cost Summary at Application	
Land and Acquisition	$15,065,372
Construction Costs	$0
Rehabilitation Costs	$34,253,043
Construction Contingency	$3,110,740
Relocation	$1,818,182
Architectural/Engineering	$2,077,274
Const. Interest, Perm. Financing	$3,414,068
Legal Fees, Appraisals	$109,091
Reserves	$1,711,633
Other Costs	$1,697,674
Developer Fee	$8,059,452
Commercial Costs	$6,168,065
Total	**$77,484,593**

Residential

Construction Cost Per Square Foot:	$674
Per Unit Cost:	$480,162
True Cash Per Unit Cost*:	$437,971

Construction Financing

Source	Amount
Union Bank	$44,420,000
City of Oakland Loan (assumed)	$4,038,706
City of Oakland Loan	$4,988,000
Oakland Park & Recreation Grant	$1,600
Oakland Housing Authority	$4,300,000
Alameda county Loan (assumed)	$165,000
MHP Loan (assumed)	$7,278,399
AHP	$1,450,000
Existing Reserves	$782,637
General Partner Equity	$4,589,195
Deferred Developer Fee	$2,070,257
Tax Credit Equity	$2,569,368

Permanent Financing

Source	Amount
Union Bank - Tranche A	$3,474,000
Union Bank - Tranche B	$1,672,000
City of Oakland Loan (assumed)	$4,038,706
City of Oakland Loan	$4,988,000
Oakland Park & Recreation Grant	$1,600
Oakland Housing Authority	$4,300,000
Alameda county Loan (assumed)	$165,000
MHP Loan (assumed)	$7,278,399
HCD AHSC	$15,631,118
AHP	$1,450,000
Existing Reserves	$782,637
General Partner Equity	$4,597,961
Deferred Developer Fee	$2,061,491
Historic Tax Credit Equity	$6,443,459
Tax Credit Equity	$20,600,222
TOTAL	**$77,484,593**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$43,026,950
130% High Cost Adjustment:	Yes
Requested Eligible Basis:	$10,867,792
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$55,935,035
Qualified Basis (Acquisition):	$10,867,792
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$1,829,076
Maximum Annual Federal Credit, Acquisition:	$355,377
Total Maximum Annual Federal Credit:	$2,184,453
Approved Developer Fee in Project Cost:	$8,059,452
Approved Developer Fee in Eligible Basis:	$7,326,775
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.94304

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:	$53,894,742
Actual Eligible Basis:	$53,894,742
Unadjusted Threshold Basis Limit:	$43,233,252
Total Adjusted Threshold Basis Limit:	$88,628,166

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: 15%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targetedat 35% AMI or Below: 80%

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.

This project involves the substantial rehabilitation of 2 scattered-sites originally constructed in 1911 (Empyrean Towers), and 1914 (Harrison Hotel), in the City of Oakland. Both properties have been determined eligible for the National Register of Historic Properites and will be utilizing the 20% Historic Tax Credit (HTC).

In lieu of 1 on-site manager units, the Harrison Hotel site is commit to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property’s fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers’ units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

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-1994-141). 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

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-1994-141) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

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, 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.