

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2018 Second Round
September 19, 2018

Sunflower Hill at Irby Ranch, located on a to-be-formed parcel from a portion of 3780 Stanley Boulevard, with a future address of 3701 Nevada Street, in Pleasanton, requested and is being recommended for a reservation of \$1,012,757 in annual federal tax credits to finance the new construction of 29 units of housing serving tenants and special needs tenants with rents affordable to households earning 20-60% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and will be located in Senate District 7 and Assembly District 16.

Project Number CA-18-128

Project Name Sunflower Hill at Irby Ranch
 Site Address: A portion of 3780 Stanley Blvd, future 3701 Nevada Street
 Pleasanton, CA 94566 County: Alameda
 Census Tract: 4507.410

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,012,757	\$0
Recommended:	\$1,012,757	\$0

Applicant Information

Applicant: Satellite Affordable Housing Associates
 Contact: Jonathan Astmann
 Address: 1835 Alcatraz Ave
 Berkeley, CA 94703
 Phone: 510-809-2769
 Email: jastmann@sahahomes.org

General Partner(s) / Principal Owner(s): Sunflower Irby LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Satellite AHA Development, Inc.
 Developer: Satellite Affordable Housing Associates
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent(s): Satellite Affordable Housing Associates
 Property Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 31
 No. & % of Tax Credit Units: 29 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A

Information

Set-Aside: Special Needs
 Housing Type: Special Needs
 Type of Special Needs: Developmentally Disabled
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.00%
 % of Special Need Units: 14 units 45%
 Geographic Area: East Bay Region
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 20% AMI: 6	20%
At or Below 50% AMI: 17	40%
At or Below 60% AMI: 6	20%

Unit Mix

1 SRO/Studio Units
22 1-Bedroom Units
8 2-Bedroom Units
<u>31 Total Units</u>

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	20%	20%	\$436
1 2 Bedrooms	20%	20%	\$522
17 1 Bedroom	50%	50%	\$1,090
6 2 Bedrooms	60%	60%	\$1,569
1 SRO/Studio	Manager's Unit	Manager's Unit	\$800
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$25,396,800

Project Cost Summary at Application

Land and Acquisition	\$4,050,000
Construction Costs	\$12,205,387
Rehabilitation Costs	\$0
Construction Contingency	\$1,169,339
Relocation	\$0
Architectural/Engineering	\$742,438
Const. Interest, Perm. Financing	\$749,385
Legal Fees, Appraisals	\$30,000
Reserves	\$446,874
Other Costs	\$2,439,439
Developer Fee	\$1,541,435
Commercial Costs	\$0
Total	\$23,374,297

Residential

Construction Cost Per Square Foot:	\$388
Per Unit Cost:	\$754,010
True Cash Per Unit Cost*:	\$624,332

Construction Financing

Source	Amount
Wells Fargo Bank	\$7,397,000
City of Pleasanton	\$2,250,000
City of Pleasanton Land Donation	\$4,020,000
Alameda County A1 Bonds	\$7,195,844
Local Impact Fee Waiver	\$93,429
Deferred Costs	\$1,239,482
Tax Credit Equity	\$1,178,542

Permanent Financing

Source	Amount
City of Pleasanton	\$2,250,000
City of Pleasanton Land Donation	\$4,020,000
Alameda County A1 Bonds	\$7,195,844
Local Impact Fee Waiver	\$93,429
Tax Credit Equity	\$9,815,024
TOTAL	\$23,374,297

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,656,047
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,252,861
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,012,757
Approved Developer Fee in Project Cost:	\$1,541,435
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.96914

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$8,656,047
Actual Eligible Basis:	\$18,250,695
Unadjusted Threshold Basis Limit:	\$9,359,475
Total Adjusted Threshold Basis Limit:	\$14,057,827

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
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Special Needs
Final:	65.128%

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 9.0% 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's true cash per unit cost is estimated at \$624,332. In part this is due to the project's relatively small size of 31 units, an elevator, significant local development impact fees and utility connection costs, universal design units for developmentally disabled tenants, a capitalized services reserve for the special need tenants' services, the local hire requirements of the Alameda County Measure 1A funds, and state prevailing wage requirements. In addition, the Bay Area has been experiencing increases in construction costs over the last several years which are expected to continue.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: GreenPoint Rated	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.