

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**January 16, 2019**

3268 San Pablo, located at 3268 San Pablo Avenue in Oakland, requested and is being recommended for a reservation of \$1,350,376 in annual federal tax credits to finance the new construction of 50 low-income 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 will be located in Senate District 9 and Assembly District 15.

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 AHSC and IIG programs of HCD.

**Project Number** CA-19-408

**Project Name** 3268 San Pablo  
Site Address: 3268 San Pablo Avenue  
Oakland, CA 94608 County: Alameda  
Census Tract: 4014.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,350,376	\$0
Recommended:	\$1,350,376	\$0

**Applicant Information**

Applicant: 3268 San Pablo, L.P.  
Contact: Somaya Abdelgany  
Address: 1835 Alcatraz Avenue  
Berkeley, CA 94703  
Phone: (510) 809-2753  
Email: sabdelgany@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 Corporation  
Management Agent: Satellite Affordable Housing Associates

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 51  
 No. / % of Low Income Units: 50 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (50 units -100%)

**Bond Information**

Issuer: Alameda County  
 Expected Date of Issuance: March 1, 2019

**Information**

Housing Type: Seniors  
 Geographic Area: East Bay Region  
 TCAC Project Analyst: Pavlos Mayakis

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI: 13	26%
At or Below 50% AMI: 18	36%
At or Below 60% AMI: 19	38%

**Unit Mix**

13 SRO/Studio Units  
 38 1-Bedroom Units  


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 51 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
10 SRO/Studio	30%	20%	\$407
3 SRO/Studio	30%	30%	\$610
18 1 Bedroom	50%	50%	\$1,090
19 1 Bedroom	60%	60%	\$1,308
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$36,102,000

**Project Cost Summary at Application**

Land and Acquisition	\$1,225,742
Construction Costs	\$21,575,104
Rehabilitation Costs	\$0
Construction Contingency	\$2,157,511
Relocation	\$0
Architectural/Engineering	\$1,185,373
Const. Interest, Perm. Financing	\$2,827,483
Legal Fees, Appraisals	\$35,000
Reserves	\$466,443
Other Costs	\$2,153,953
Developer Fee	\$3,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$35,126,609</b>

**Residential**

Construction Cost Per Square Foot:	\$745
Per Unit Cost:	\$688,757
True Cash Per Unit Cost*:	\$688,757

**Construction Financing**

Source	Amount
Silicon Valley Bank TE Bond	\$21,192,500
Alameda County A1 Funding	\$7,180,000
City of Oakland	\$1,000,000
HCD Infill Loan	\$1,222,000
Accrued Interest	\$304,657
Deferred Costs	\$2,906,944
Tax Credit Equity	\$1,320,508

**Permanent Financing**

Source	Amount
CCRC TE Permanent Bond	\$5,369,728
Alameda County A1 Funding	\$7,180,000
City of Oakland	\$1,000,000
HCD AHSC Loan	\$5,500,000
Accrued Interest	\$304,657
HCD - IIG Loan	\$1,222,000
GP Contribution	\$1,300,000
Tax Credit Equity	\$13,250,224
<b>TOTAL</b>	<b>\$35,126,609</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$31,766,083
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$41,295,908
Applicable Rate:	3.27%
Maximum Annual Federal Credit:	\$1,350,376
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.98122

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:	\$31,766,083
Actual Eligible Basis:	\$31,766,083
Unadjusted Threshold Basis Limit:	\$16,502,996
Total Adjusted Threshold Basis Limit:	\$37,131,741

**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

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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: 36%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 52%

**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**

Staff notes a per unit cost of \$688,757. The factors affecting this cost include escalating construction costs in Oakland including paying prevailing wages. In addition, this project has been accruing costs since 2015 while funding was being secured.

**Resyndication and Resyndication Transfer Event:** None.

**Local Reviewing Agency**

The Local Reviewing Agency, 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**

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 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.