

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

NOVA Apartments, located at 445 30th Street in Oakland, requested a reservation of \$1,483,954 in annual federal tax credits and \$4,496,830 in total state tax credits to finance the new construction of 56 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. 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.

Project Number CA-19-700

Project Name NOVA Apartments
Site Address: 445 30th Street
Oakland, CA 94609 County: Alameda
Census Tract: 4013.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,483,954	\$4,496,830
Recommended only if the Committee approves the pending appeal:	\$1,483,954	\$4,496,830

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Oak Hill PSH, L.P.
Contact: Rob Wilkins
Address: 13520 Evening Creek Drive N. Suite 160
San Diego, CA 92128
Phone: 415-488-7743
Email: rob@affirmedhousing.com

General Partner(s) / Principal Owner(s): Affirmed Housing Group, Inc.
NEXUS For Affordable Housing
General Partner Type: Joint Venture
Parent Company(ies): Affirmed Housing Group, Inc.
NEXUS For Affordable Housing
Developer: Affirmed Housing Group, Inc.
Investor/Consultant: Enterprise Community
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 57
 No. / % of Low Income Units: 56 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (100% - 56 Units)

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 15, 2019

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 % of Special Need Units 56 units 100%
 Geographic Area: East Bay Region
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 28	50%
At or Below 50% AMI: 28	40%

Unit Mix

32 SRO/Studio Units
24 1-Bedroom Units
1 2-Bedroom Units
57 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16 SRO/Studio	30%	20%	\$407
12 1 Bedroom	30%	20%	\$436
16 SRO/Studio	50%	20%	\$407
12 1 Bedroom	50%	20%	\$436
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,512,099
Construction Costs	\$24,478,568
Rehabilitation Costs	\$0
Contingency Costs	\$1,992,831
Relocation	\$50,000
Architectural/Engineering	\$1,075,000
Const. Interest, Perm. Financing	\$2,462,763
Legal Fees	\$200,000
Reserves	\$494,000
Other Costs	\$2,113,602
Developer Fee	\$3,500,000
Commercial Costs	\$0
Total	\$39,878,863

Residential

Construction Cost Per Square Foot:	\$626
Per Unit Cost:	\$699,629
True Cash Per Unit Cost*:	\$681,880

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Banner Bank	\$25,000,000	Banner Bank - Tranche B Loan	\$4,302,385
Alameda County (Measure A1)	\$9,209,302	Alameda County (Measure A1)	\$13,766,776
City of Oakland	\$1,600,000	City of Oakland	\$1,600,000
** FHLB —AHP Deferred Developer Fee	\$778,995	** FHLB —AHP Deferred Developer Fee	\$778,995
Costs Deferred Until Conversion	\$525,960	Deferred Developer Fee	\$1,011,690
Tax Credit Equity	\$2,764,606	Tax Credit Equity	\$18,419,017
		TOTAL	\$39,878,863

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

**Based on the Committee's decision

Determination of Credit Amount(s)

Requested Eligible Basis:	\$34,590,999
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$44,968,299
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,483,954
Total State Credit:	\$4,496,830
Approved Developer Fee (in Project Cost & Eligible Basis)	\$3,500,000
Investor/Consultant:	Enterprise Community
Federal Tax Credit Factor:	\$0.99000
State Tax Credit Factor:	\$0.82900

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:	\$34,590,999
Actual Eligible Basis:	\$34,590,999
Unadjusted Threshold Basis Limit:	\$18,545,072
Total Adjusted Threshold Basis Limit:	\$53,897,979

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
- 100% of the Low Income Units for Special Needs Population
- Local Development Impact Fees
- 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: 50%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 100%

Tie-Breaker Information

Final: N/A

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 meet or 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 3.30% 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 estimated cost is \$699,629 per unit. The project is a 6-story building with five levels of Type III wood construction over one level of Type I concrete podium. In addition, the project has a relatively high land cost due to its location in the Bay Area, and will pay prevailing wages.

The owner will pay all of the utilities at the project.

Resyndication and Resyndication Transfer Event: None

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

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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.

CDLAC Additional Conditions: None

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 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs project within 1 mile of facility serving tenant population	2	2	0
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. 1 FTE per 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10**
Total Points	111	111	111

**Based on the Committee's decision

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.