CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2019

Noble Tower Apartments, located at 1515 Lakeside Drive in Oakland, requested and is being recommended for a reservation of $4,152,743 in annual federal tax credits to finance the acquisition and rehabilitation of 194 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by The Related Companies of California and is located in Senate District 9 and Assembly District 18.

Noble Tower Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Noble Tower (CA-2003-852). 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 Contract.

Project Number	CA-19-486	
Project Name	Noble Tower Apartments	
Site Address:	1515 Lakeside Drive	
	Oakland, CA 94612	County: Alameda
Census Tract:	4034.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,152,743	$0
Recommended:	$4,152,743	$0

Applicant Information

Applicant:	Lakeside Drive Senior Housing, L.P.
Contact:	Wes Larmore
Address:	18201 Von Karman Ave, Suite 900 Irvine, CA 92612
Phone:	213-634-1566
Email:	wlarmore@related.com

General Partner(s) or Principal Owner(s):	EBALDC 1515 Lakeside, LLC Lakeside Drive Senior Housing GP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	East Bay Asian Local Development Corporation The Related Companies of CA, LLC
Developer:	The Related Companies of CA, LLC
Investor/Consultant:	Wells Fargo Community Lending & Investment
Management Agent:	Related Management Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	195
No. / % of Low Income Units:	194 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project Based Contract (194 units - 100%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	September 25, 2019

Information

Housing Type:	Seniors
Geographic Area:	East Bay Region
TCAC Project Analyst:	Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	128	66%
60% AMI:	66	34%

Unit Mix

195	1-Bedroom Units
195	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
128	1 Bedroom	50%	50%	$1,090
53	1 Bedroom	60%	60%	$1,308
13	1 Bedroom	60%	60%	$1,308
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$85,000,000
Construction Costs	$0
Rehabilitation Costs	$15,809,875
Construction Hard Cost Contingency	$1,357,304
Soft Cost Contingency	$252,439
Relocation	$243,750
Architectural/Engineering	$600,000
Const. Interest, Perm. Financing	$4,290,200
Legal Fees	$310,000
Reserves	$1,500,660
Other Costs	$2,883,939
Developer Fee	$15,418,089
Commercial Costs	$0
Total	**$127,666,257**

Residential

Construction Cost Per Square Foot:	$147
Per Unit Cost:	$654,699
True Cash Per Unit Cost*:	$593,324

Construction Financing

Source	Amount
Wells Fargo - FreddieMac	$74,000,000
Net Operating Income	$1,447,371
Existing Reserves	$392,437
Deferred Costs	$1,480,622
Deferred Developer Fee	$14,555,589
Tax Credit Equity	$35,790,238

Permanent Financing

Source	Amount
Wells Fargo - FreddieMac	$74,000,000
Net Operating Income	$1,447,371
Existing Reserves	$392,437
Deferred Developer Fee	$11,968,089
Tax Credit Equity	$39,858,360
TOTAL	**$127,666,257**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$25,670,363
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$92,534,987
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$33,371,472
Qualified Basis (Acquisition):	$92,534,987
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$1,099,088
Maximum Annual Federal Credit, Acquisition:	$3,053,655
Total Maximum Annual Federal Credit:	$4,152,743
Approved Developer Fee (in Project Cost & Eligible Basis):	$15,418,089
Investor/Consultant:	Wells Fargo Community Lending & Investment
Federal Tax Credit Factor:	$0.95981

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:	$118,205,350
Actual Eligible Basis:	$118,205,350
Unadjusted Threshold Basis Limit:	$68,283,150
Total Adjusted Threshold Basis Limit:	$119,495,513

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: 65%

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

Development costs are approximately $654,699 per unit. The acquisition cost of this project is high due to the rental market and the location. The scope of the rehabilitation is fairly extensive due to the age and condition of the property and the relocation costs are high due to a tight real estate market and the length of the relocation.

In addition to one on-site manager, the project will employ staff Monday through Friday from 8am to 4pm and a patrol company in the after hours. All are knowledgeable in the property's fire system and are trained and have participated in fire evacuation drills for tenants. This meets TCAC's on-site management requirement of Section 10325(f)(7)(J).

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) due to excessive expensiveness / undue financial burden. The project will provide 7% of units (13 units) meeting the provisions of California Building Code Chapter 11(B) regarding mobility accessibility features. In addition 5% of the units will be upgraded to include feature for hearing and visually impaired.

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-2003-852). 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 completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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-2003-852) 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 with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,610,675. The purchase price of $85,000,000 is less than the appraised value of $95,800,000, the result of a seller credit. The seller credit allows the applicant to receive eligible basis for the entire Short Term Work amount of $1,610,675.

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.