

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 2019**

BFHP Hope Center Permanent Supportive Housing, located at 2012 Berkeley Way in Berkeley, requested and is being recommended for a reservation of \$1,296,148 in annual federal tax credits to finance the new construction of 53 units of housing serving special needs tenants with rents affordable to households earning 15% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation 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 HCD's NPLH, MHP and AHSC programs.

Project Number CA-19-541

Project Name BFHP Hope Center Permanent Supportive Housing
Site Address: 2012 Berkeley Way
Berkeley, CA 94704 County: Alameda
Census Tract: 4224.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,296,148	\$0
Recommended:	\$1,296,148	\$0

Applicant Information

Applicant: BFHP Hope Center LP
Contact: Andy Turner
Address: 600 California, Suite 900
San Francisco, CA 94108
Phone: (415) 321-4076
Email: aturner@bridgehousing.com

General Partner(s) or Principal Owner(s): Hope Center Housing LLC
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing Corporation
Developer: BRIDGE Housing Corporation
Investor/Consultant: Community Economics
Management Agent: John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 53
 No. / % of Low Income Units: 53 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (53 units - 100%)

Bond Information

Issuer: CMFA
 Expected Date of Issuance: March 15, 2020

Information

Housing Type: Special Needs
 Geographic Area: East Bay Region
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
20% AMI: 53	100%

Unit Mix

53 SRO/Studio Units
 53 Total Units

<u>Unit Type & Number*</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
53 SRO/Studio	15%	9%	\$206

*See **Special Issues/Other Significant Information** below for additional manager's unit information.

Project Cost Summary at Application

Land and Acquisition	\$97,527
Construction Costs	\$22,060,500
Construction Hard Cost Contingency	\$1,103,025
Soft Cost Contingency	\$276,380
Architectural/Engineering	\$1,196,775
Const. Interest, Perm. Financing	\$2,541,076
Legal Fees	\$33,063
Reserves	\$7,168,290
Other Costs	\$3,639,717
Developer Fee	\$1,000,000
Total	\$39,116,352

Residential

Construction Cost Per Square Foot:	\$446
Per Unit Cost:	\$738,044
True Cash Per Unit Cost*:	\$738,044

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$19,000,000	City of Berkeley	\$9,797,207
City of Berkeley	\$4,600,134	Alameda County	\$6,362,839
Alameda County	\$6,362,839	HCD AHSC	\$2,238,142
Tax Credit Equity	\$1,283,058	HCD NPLH	\$3,590,816
		HCD SHMHP	\$3,854,205
		GP Equity Contribution	\$566,440
		Tax Credit Equity	\$12,706,703
		TOTAL	\$39,116,352

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$30,213,231
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,277,200
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$1,296,148
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,000,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.98034

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:	\$30,213,231
Actual Eligible Basis:	\$30,213,231
Unadjusted Threshold Basis Limit:	\$16,096,418
Total Adjusted Threshold Basis Limit:	\$57,653,192

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages

100% of the Low Income Units for Special Needs Population

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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

The high cost per unit of \$738,044 is due to the following factors. The project's urban infill location requires construction accommodations, including noise and dust control, shuttling of workers, staging, etc. A BART subway tunnel runs under the northeast corner of the parcel, requiring additional structural support in that section of the project. The project design requires site work that includes replacement of a large retaining wall and construction at the first and second levels. The project is required to pay prevailing wages and will be pursuing GreenPoint Rating certification. The project's 15% of AMI rent limits necessitate a significant operating subsidy from the city.

This project will be located in a building that will be subdivided into two other projects, one of which is also seeking a TCAC allocation, 19-542 BRIDGE Berkeley Way Affordable. The building will be divided into separate legal parcels, and each of the three projects will have a separate ground lease with the City of Berkeley.

In lieu of an on-site manager unit, the project 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. The project's deep affordability at 15% of AMI necessitates a significant operating subsidy from the city.

Resyndication and Resyndication Transfer Event: None

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.