

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project**

April 28, 2021

REVISED

Depot Community Apartments, located at 2595 Depot Road in Hayward, requested and is being recommended for a reservation of \$2,958,491 in annual federal tax credits and \$4,245,343 in total state tax credits to finance the new construction of 124 units of housing serving special needs tenants with rents affordable to households earning 20-70% AMI of area median income (AMI). The project will be developed by Allied Housing Inc. and will be located in Senate District 10 and Assembly District 20.

The project financing includes state funding from the California HCD Multifamily Housing Program.

Project Number CA-21-504

Project Name Depot Community Apartments
Site Address: 2595 Depot Road
Hayward CA, 94545 County: Alameda
Census Tract: 4372.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,958,491	\$4,245,343
Recommended:	\$2,958,491	\$4,245,343

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Allied Housing, Inc
Contact: Macy Leung
Address: 40849 Fremont Boulevard
Fremont CA, 94538
Phone: (510) 905-1092
Email: mleung@abodeservices.org

General Partner(s) or Principal Owner(s): Allied 2595 Depot LLC
General Partner Type: Nonprofit
Developer: Allied Housing Inc.
Investor/Consultant: Community Economics
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 125
 No. / % of Low Income Units: 124 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / CDBG

Bond Information

Issuer: County of Alameda
 Expected Date of Issuance: September 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: East Bay Region
 TCAC Project Analyst: Sopida Steinwert

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 67	54%
40% AMI: 11	9%
50% AMI: 16	13%
60% AMI: 14	11%
70% AMI: 16	13%

Unit Mix

124 SRO/Studio Units
1 1-Bedroom Units
 125 Total Units

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
45 SRO/Studio	20%	14%	\$326
22 SRO/Studio	30%	29%	\$651
11 SRO/Studio	40%	38%	\$868
16 SRO/Studio	50%	48%	\$1,085
14 SRO/Studio	60%	57%	\$1,302
16 SRO/Studio	70%	57%	\$1,302
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,788,400
Construction Costs	\$40,894,309
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,030,967
Soft Cost Contingency	\$293,686
Relocation	\$0
Architectural/Engineering	\$1,925,326
Const. Interest, Perm. Financing	\$2,469,276
Legal Fees	\$68,527
Reserves	\$14,008,469
Other Costs	\$3,613,287
Developer Fee	\$6,970,108
Commercial Costs	\$1,353,161
Total	\$79,415,515

Residential

Construction Cost Per Square Foot:	\$583
Per Unit Cost:	\$622,875
True Cash Per Unit Cost*:	\$622,875

Construction Financing

Source	Amount
JPMorgan Chase Bank	\$32,593,689
County of Alameda Measure A-1	\$18,268,465
City of Hayward CDBG	\$371,400
City of Hayward Housing Authority	\$4,200,000
General Partner Equity	\$1,000
Tax Credit Equity	\$3,061,439

Permanent Financing

Source	Amount
HCD Multifamily Housing Program	\$20,000,000
County of Alameda A-1	\$18,268,465
City of Hayward Housing Authority	\$4,200,000
City of Hayward Inclusionary Housing	\$1,610,000
City of Hayward CDBG	\$371,400
Sponsor Loan	\$4,480,260
General Partner Equity	\$1,000
Tax Credit Equity	\$30,484,390
TOTAL	\$79,415,515

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$56,894,053
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$73,962,268
Applicable Rate:	4.00%
Maximum Annual Federal Credit:	\$2,958,491
Total State Credit:	\$4,245,343
Approved Developer Fee in Project Cost:	\$6,970,108
Approved Developer Fee in Eligible Basis:	\$6,767,134
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.91561
State Tax Credit Factor:	\$0.80000

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:	\$56,894,053
Actual Eligible Basis:	\$56,894,053
Unadjusted Threshold Basis Limit:	\$45,712,380
Total Adjusted Threshold Basis Limit:	\$120,680,683

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

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

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 21%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 108%

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 4.00% 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 projects estimated cost per unit is \$622,875. The applicant noted this cost is due to the need for a capitalized operating reserve to maintain positive operating income for this special needs population. In addition, the applicant will be required to pay prevailing wages and will be subject to a project labor agreement.

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

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.