

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 26, 2010

Project Number CA-2010-817

Project Name Harrison Street Senior Housing
Site Address: 1633 Harrison Street
Oakland, CA 94612 County: Alameda
Census Tract: 4029.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$835,320	\$0
Recommended:	\$835,320	\$0

Applicant Information

Applicant: Harrison Street Senior Housing Associates, L.P.
Contact: Karl Lauff
Address: 303 Hegenberger Rd., Ste. 201
Oakland, CA 94621
Phone: (510) 746-4121 **Fax:** (510) 632-6704
Email: klauff@cchnc.org

General partner(s) or principal owner(s): Harrison Street Senior Housing Corp.

General Partner Type: Nonprofit
Developer: Christian Church Homes of Northern California
Investor: Merritt Community Capital
Management Agent: Christian Church Homes of Northern California

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 73
No. & % of Tax Credit Units: 72 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: HUD Section 202
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 72
Number of Units @ or below 60% of area median income: 0

Information

Housing Type: Seniors
 Geographic Area: North & East Bay
 TCAC Project Analyst: Gina Ferguson

Bond Information

Issuer: Housing Authority of the City of Oakland
 Expected Date of Issuance: June, 2010
 Credit Enhancement: N/A

Unit Mix

0 SRO/Studio Units
 72 1-Bedroom Units
 1 2-Bedroom Units
 0 3-Bedroom Units
 0 4-Bedroom Units

 73 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
61 1 Bedroom	50%	16%	\$275
11 1 Bedroom	50%	16%	\$275
1 2 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$21,431,670
 Construction Cost Per Square Foot: \$199
 Per Unit Cost: \$293,585

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank - Tax-Exempt Bonds	\$11,800,000	HUD Section 202	\$8,606,900
HUD Section 202	\$6,421,326	City of Oakland	\$5,133,000
AHP	\$720,000	AHP	\$720,000
Oakland Housing Authority	\$539,270	Oakland Housing Authority	\$539,270
General Partner	\$10,000	General Partner	\$10,000
Tax Credit Equity	\$482,400	Tax Credit Equity	\$6,422,500
		TOTAL	\$21,431,670

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,898,658
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,568,255
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$835,320
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,216,000
Investor:	Merritt Community Capital
Federal Tax Credit Factor:	\$0.76887

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis	\$18,898,658
Actual Eligible Basis:	\$18,898,658
Unadjusted Threshold Basis Limit:	\$19,128,872
Total Adjusted Threshold Basis Limit:	\$42,083,518

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information:

This project has a pending application with CDLAC for a tax-exempt bond allocation. The CDLAC application is pending a firm commitment from HUD for the Section 202 funding. The applicant must secure a bond allocation through CDLAC in order for the tax credit reservation to remain in effect. TCAC staff will perform a subsidy layering review for submission to HUD.

Due to HUD Section 202 requirements, the annual operating expenses (\$6,938 per unit) of this project are significantly higher than TCAC's minimum operating expense requirements.

Local Reviewing Agency:

The Local Reviewing Agency, City of Oakland Community & Economic Development Agency, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$835,320	\$0

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 an allocation 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.

Additional Conditions: The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- Exceeding Title 24 by 10%

- Use of at least one of the listed recycled materials at the designated levels

- Either flow restrictors on kitchen faucets or high efficiency toilets

- Using non-VOC interior paint

- Formaldehyde free materials for all cabinets, countertops and shelving

- Incorporates Universal Design in at least half of the project's units

- Project will contain non-smoking buildings or sections of buildings