

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2012 Second Round**

**October 10, 2012**

**Project Number** CA-12-199

**Project Name** Lakeside Senior Apartments  
Site Address: 116 E. 15th Street., 1507 -1529 2nd Avenue, 131-137 E. 16th Street  
Oakland, CA 94606 County: Alameda  
Census Tract: 4053.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,530,301	\$6,121,206
Recommended:	\$1,530,301	\$5,835,491

**Applicant Information**

Applicant: Satellite Housing, Inc. & Oakland Housing Initiatives, Inc.  
Contact: Cindy Heavens  
Address: 1521 University Avenue  
Berkeley, CA 94703  
Phone: (510) 809-2721 Fax: (510) 647-0820  
Email: cheavens@satellitehousing.org

General partner(s) or principal owner(s): Satellite Housing, Inc.  
General Partner Type: Nonprofit  
Developer: Satellite Housing, Inc.  
Investor/Consultant: Community Economics, Inc.  
Management Agent: Satellite Housing, Inc

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 2  
Total # of Units: 92  
No. & % of Tax Credit Units: 91 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HUD Section 8 Project-based Vouchers (91 units / 100%)  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 22 20 %  
40% AMI: 10 10 %  
50% AMI: 46 40 %

**Information**

Set-Aside: N/A  
Housing Type: Seniors  
Geographic Area: North & East Bay Region  
TCAC Project Analyst: Connie Osorio

**Unit Mix**

91	1-Bedroom Units
<u>1</u>	<u>2-Bedroom Units</u>
92	Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 1 Bedroom	20%	20%	\$350
10 1 Bedroom	40%	20%	\$350
46 1 Bedroom	50%	50%	\$873
13 1 Bedroom	60%	50%	\$873
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost:	\$35,974,547
Estimated Residential Project Cost:	\$35,974,547

**Residential**

Construction Cost Per Square Foot:	\$207
Per Unit Cost:	\$391,028

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank Construction Loan	\$23,614,723
Oakland Housing Authority	\$3,443,000
AHP	\$890,000
Oakland Housing Authority Ground Lease	\$3,470,000
Tax Credit Equity	\$3,057,451

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Wells Fargo Tranche B Loan	\$3,194,000
HCD - MHP Supportive Loan	\$4,794,400
Oakland Housing Authority	\$3,443,000
AHP	\$890,000
Oakland Housing Authority Ground Lease	\$3,470,000
GP Equity/Deferred Fee	\$138
LP Equity from Solar Credit	\$30,000
Tax Credit Equity	\$20,153,009
<b>TOTAL</b>	<b>\$35,974,547</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$20,404,019
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$20,404,019
Applicable Rate:	7.50%
Total Maximum Annual Federal Credit:	\$1,530,301
Total State Credit:	\$5,835,491
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.05000
State Tax Credit Factor:	\$0.70000

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:	\$20,404,019
Actual Eligible Basis:	\$30,613,316
Unadjusted Threshold Basis Limit:	\$19,935,273
Total Adjusted Threshold Basis Limit:	\$27,552,871

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Seniors</b>
Second:	<b>64.276%</b>

**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 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 7.50% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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.

**Special Issues/Other Significant Information:**

Staff noted that the preliminary architectural drawings did not identify the required amount of washer/dryer required by regulation. Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 15 units upon completion of the project prior to the issuance of federal and state tax forms.

The applicant’s estimate of Developer Fee included in cost and eligible basis of \$1,400,000 exceeded the HCD MHP Supportive Housing limit of \$1,200,000. TCAC staff reduced the cost and basis down to the HCD limit accordingly and then reduced the applicant’s voluntarily excluded eligible basis figure by a corresponding amount. The reduction in cost and basis does not affect the amount of annual Federal Tax Credits recommended. However, the State Credit amount recommended has been slightly decreased from the requested amount.

**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, City of Oakland, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,530,301</b>	<b>\$5,835,491</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 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.

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 ten 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)(6) 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.

**Additional Conditions:**       None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ¼ mile of daily operated senior center/facility	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Other Services Specialist, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 160 bedrooms	3	3	3
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifamily	5	5	5
Develop project to requirements of: GreenPoint Rated Multifamily Guidel 125	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Universal Design	1	1	1
Smoke Free Residence	1	1	1
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**