

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 13, 2013

Project Number CA-13-817

Project Name Lion Creek Crossings Phase V
 Site Address: 6710 - 6760 Lion Way
 Oakland, CA 94621 County: Alameda
 Census Tract: 4088.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,398,172	\$0
Recommended:	\$1,398,172	\$0

Applicant Information

Applicant: Lion Creek Senior Housing Partners, L.P.
 Contact: Marie Debor
 Address: 18201 Von Karman Avenue, Suite 900
 Irvine, CA 92618
 Phone: (949) 660-7272 Fax: (949) 660-7273
 Email: mdebor@related.com

General partner(s) or principal owner(s): Related/Oakland Coliseum V Development Co., LLC
 Lion Creek V, LLC
 General Partner Type: Joint Venture
 Developer: Lion Creek Senior Housing Partners, L.P.
 Investor: Union Bank
 Management Agent: Related Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 128
 No. & % of Tax Credit Units: 127 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 project-based vouchers (127 units - 100%) /
 HUD Moving to Work (MTW) / HUD Replacemnt Housing Factor Funding (RE)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 70
 Number of Units @ or below 50% of area median income: 57

Bond Information

Issuer: Oakland Housing Authority
 Expected Date of Issuance: June 2013
 Credit Enhancement: N/A

Information

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

Unit Mix

2 SRO/Studio Units
 117 1-Bedroom Units
 9 2-Bedroom Units

 128 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	30%	\$468
1 SRO/Studio	50%	50%	\$781
64 1 Bedroom	30%	30%	\$502
53 1 Bedroom	50%	50%	\$836
5 2 Bedrooms	30%	30%	\$602
3 2 Bedrooms	50%	50%	\$1,003
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$36,510,520
 Estimated Residential Project Cost: \$36,510,520

Residential

Construction Cost Per Square Foot: \$304
 Per Unit Cost: \$285,238

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$18,500,000	Citi Community Capital	\$712,143
Oakland Housing Authority	\$14,730,596	Citi - Section 8 Tranche B	\$5,288,445
Deferred Reserves	\$247,493	Oakland Housing Authority	\$14,730,596
Deferred Developer Fee	\$464,497	General Partner Equity	\$1,100,000
General Partner Equity	\$1,100,000	Tax Credit Equity	\$14,679,336
Tax Credit Equity	\$1,467,934	TOTAL	\$36,510,520

Determination of Credit Amount(s)

Requested Eligible Basis:	\$33,609,900
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$43,692,870
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$1,398,172
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor:	Union Bank
Federal Tax Credit Factor:	\$1.04990

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:	\$33,609,900
Actual Eligible Basis:	\$33,609,900
Unadjusted Threshold Basis Limit:	\$32,659,024
Total Adjusted Threshold Basis Limit:	\$94,002,887

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 44%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 110%

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 3.20% 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.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, City of Oakland Department of Housing and Community Development, 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
\$1,398,172	\$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 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.

Additional Conditions: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Wellness services and programs
- Contract with a full time-equivalent bona fide service coordinator/social worker available to tenants

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 TCAC placed-in-service application is submitted:

- The project commits to becoming certified under the GreenPoint Rated Multifamily Guidelines
- The project is a new construction or adaptive reuse project that exceeds Title 24 Energy Standards by at least 17.5% as calculated using a methodology approved by the California Energy Commission.