

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 15, 2013**

Project Number CA-13-822

Project Name MacArthur Transit Village Apartments
Site Address: Block bounded by Telegraph Avenue, Macarthur Boulevard
40th Street and Highway 24
Oakland, CA 94609 County: Alameda
Census Tract: 4011.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,590,984	\$0
Recommended:	\$1,590,984	\$0

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact: Robert Stevenson
Address: 345 Spear Street, Suite 700
San Francisco, CA 94105
Phone: (415) 989-1111 Fax: (415) 495-4898
Email: rstevenson@bridgehousing.com

General partner(s) or principal owner(s): BRIDGE NORCAL LLC
General Partner Type: Nonprofit
Developer: BRIDGE Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: BRIDGE Property Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 90
No. & % of Tax Credit Units: 89 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 Contract (22 units / 24%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 29
Number of Units @ or below 50% of area median income: 60

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: June 1, 2013
Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: Connie Osorio

Unit Mix

2 SRO/Studio Units
 22 1-Bedroom Units
 29 2-Bedroom Units
37 3-Bedroom Units
 90 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%	\$469
8 1 Bedroom	30%	30%	\$502
10 2 Bedrooms	30%	30%	\$602
10 3 Bedrooms	30%	30%	\$696
9 3 Bedrooms	45%	45%	\$1,044
1 SRO/Studio	50%	50%	\$781
14 1 Bedroom	50%	50%	\$836
19 2 Bedrooms	50%	50%	\$1,003
17 3 Bedrooms	50%	50%	\$1,160
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,182

Project Financing

Estimated Total Project Cost: \$43,387,171
 Estimated Residential Project Cost: \$43,387,171

Residential

Construction Cost Per Square Foot: \$202
 Per Unit Cost: \$482,080

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank Tax-Exempt Const. Loan	\$26,725,000
City of Oakland	\$6,500,000
Accrued/Deferred Interest - City Loan	\$261,454
HCD IIG	\$2,299,392
HCD TOD	\$2,493,961
BART Acquisition Credit	\$1,780,407
Costs deferred until Perm Close	\$1,902,457
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$324,500

Permanent Financing

<u>Source</u>	<u>Amount</u>
US Bank - TCAC Rents (Tranche A)	\$3,087,200
US Bank - Section 8 (Tranche B)	\$2,034,927
City of Oakland	\$13,800,000
Accrued/Deferred Interest - City Loan	\$261,454
HCD IIG	\$2,299,392
HCD TOD	\$2,493,961
BART Acquisition Credit	\$1,780,407
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$16,529,830
TOTAL	\$43,387,171

Determination of Credit Amount(s)

Requested Eligible Basis:	\$38,244,804
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$49,718,245
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,590,984
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.03897

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:	\$38,244,804
Actual Eligible Basis:	\$38,244,804
Unadjusted Threshold Basis Limit:	\$28,273,008
Total Adjusted Threshold Basis Limit:	\$70,117,060

Adjustments to Basis Limit:

- Parking Beneath Residential Units
- 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: 67%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 64%

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:

Staff noted a per unit development cost of \$482,080, which is relatively higher than the average in the geographic area. The applicant noted that the high per unit cost is attributed to off-site costs required by the City for sewers, a public plaza, streetscape, traffic control improvements, streets, sidewalks, and utilities, as well as subterranean parking.

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
\$1,590,984	\$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 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 following program:
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.