CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 15, 2017

Posada de Colores Apartments, located at 2221 Fruitvale Avenue in Oakland, requested and is being recommended for a reservation of $1,285,876 in annual federal tax credits to finance the acquisition and rehabilitation of 99 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Spanish Speaking Unity Council and is located in Senate District 9 and Assembly District 18.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-17-718

Project Name Posada de Colores Apartments
Site Address: 2221 Fruitvale Avenue
Oakland, CA 94601 County: Alameda
Census Tract: 4063.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,285,876	$0
Recommended:	$1,285,876	$0

Applicant Information
Applicant: Spanish Speaking Unity Council of Alameda County, Inc.
Contact: Erin Patch
Address: 1900 Fruitvale Avenue, Suite 2A
Oakland, CA 94601
Phone: (510) 535-7170
Email: epatch@unitycouncil.org

General Partner(s) or Principal Owner(s): Posada de Colores, LLC
General Partner Type: Nonprofit
Parent Company(ies): Spanish Speaking Unity Council
Developer: Spanish Speaking Unity Council
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Casitas of Hayward

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	100
No. & % of Tax Credit Units:	99 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Project-Based Section 8 Contract (99 Units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	99

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June 30, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Seniors
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	DC Navarrette

Unit Mix

99	1-Bedroom Units
1	2-Bedroom Units
100	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
99	1 Bedroom	50%	50%	$914
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $31,232,520

Project Cost Summary at Application	
Land and Acquisition	$19,323,447
Construction Costs	$0
Rehabilitation Costs	$9,856,000
Construction Contingency	$1,488,706
Relocation	$950,000
Architectural/Engineering	$365,200
Const. Interest, Perm. Financing	$2,045,805
Legal Fees, Appraisals	$125,589
Reserves	$825,759
Other Costs	$1,364,147
Developer Fee	$4,567,965
Commercial Costs	$0
Total	**$40,912,618**

Project Financing	
Estimated Total Project Cost:	$40,912,618
Estimated Residential Project Cost:	$40,912,618
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$136
Per Unit Cost:	$409,126
True Cash Per Unit Cost*:	$298,295

Construction Financing

Source	Amount
Citi Community Capital	$25,000,000
City of Oakland	$450,000
Seller Carryback Note	$9,015,142
Existing Project Reserves	$637,200
Deferred Interest	$306,089
General Partner Equity	$100
Deferred Developer Fee	$2,067,965
Tax Credit Equity	$1,285,876

Permanent Financing

Source	Amount
Citi Community Capital	$10,480,100
City of Oakland	$450,000
Spanish Speaking Unity Council	$5,100,000
Seller Carryback Note	$9,015,142
Existing Project Reserves	$637,200
Deferred Interest	$306,089
Income From Operations	$144,267
General Partner Equity	$100
Deferred Developer Fee	$2,067,965
Tax Credit Equity	$12,711,755
TOTAL	**$40,912,618**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$16,376,514
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$18,644,554
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$21,289,468
Qualified Basis (Acquisition):	$18,644,554
Applicable Rate:	3.22%
Maximum Annual Federal Credit, Rehabilitation:	$685,521
Maximum Annual Federal Credit, Acquisition:	$600,355
Total Maximum Annual Federal Credit:	$1,285,876
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,567,965
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.98857

Per Regulation Section 10322(h)(9)(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:	$35,021,068
Actual Eligible Basis:	$35,021,068
Unadjusted Threshold Basis Limit:	$26,383,310
Total Adjusted Threshold Basis Limit:	$52,766,620

Adjustments to Basis Limit

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 3.22% 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
The proposed rent does not include any utility allowance. The owner will pay for all utilities.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. Specifically, the general partner, Paseo de Colores, LLC, and the management company, Casitas of Hayward, shall complete training as prescribed by TCAC prior to the project's placing in service.

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
$1,285,876	**$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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.