

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 17, 2017

Fruitvale Transit Village II-A, located at the address below in Oakland, requested and is being recommended for a reservation of \$2,079,034 in annual federal tax credits to finance the new construction of 92 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by East Bay Asian Local Development Corporation and will be located in Senate District 9 and Assembly District 18.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the TOD of HCD.

Project Number CA-17-735

Project Name Fruitvale Transit Village II-A
Site Address: Bounded by 35th Avenue, 37th Avenue, East 12th Street, and Fruitvale BART Station tracks
Oakland, CA 94601 County: Alameda
Census Tract: 4061.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,079,034	\$0
Recommended:	\$2,079,034	\$0

Applicant Information

Applicant: Fruitvale Transit Village II-A, L.P.
Contact: Joshua Simon
Address: 1825 San Pablo Avenue, Ste. 200
Oakland, CA 94612
Phone: 510-606-1840 **Fax:** 510-763-4143
Email: jsimon@ebaldc.org

General Partner(s): EBALDC Transit Village LLC
Unity Council Transit Village II-A LLC

General Partner Type: Nonprofit

Parent Company(ies): East Bay Asian Local Development Corporation
Spanish Speaking Unity Council of Alameda County, Inc.

Developer: East Bay Asian Local Development Corporation

Investor/Consultant: Community Economics

Management Agent: East Bay Asian Local Development Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 94
 No. & % of Tax Credit Units: 92 98.92%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (66 Units - 71%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 23
 Number of Units @ or below 50% of area median income: 49
 Number of Units @ or below 60% of area median income: 20

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

24 1-Bedroom Units
 47 2-Bedroom Units
 23 3-Bedroom Units

 94 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	20%	\$365
8 1 Bedroom	30%	30%	\$548
2 1 Bedroom	40%	40%	\$731
6 1 Bedroom	50%	50%	\$914
2 1 Bedroom	60%	60%	\$1,097
4 2 Bedrooms	30%	30%	\$658
8 2 Bedrooms	40%	40%	\$878
19 2 Bedrooms	50%	50%	\$1,097
15 2 Bedrooms	60%	60%	\$1,317
6 3 Bedrooms	30%	30%	\$760
7 3 Bedrooms	40%	40%	\$1,014
7 3 Bedrooms	50%	50%	\$1,267
3 3 Bedrooms	60%	60%	\$1,521
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,700

Projected Lifetime Rent Benefit: \$98,329,440

Project Cost Summary at Application

Land and Acquisition	\$510,000
Construction Costs	\$35,519,347
Rehabilitation Costs	\$0
Construction Contingency	\$3,566,935
Relocation	\$0
Architectural/Engineering	\$1,787,986
Const. Interest, Perm. Financing	\$3,425,775
Legal Fees, Appraisals	\$167,500
Reserves	\$1,824,341
Other Costs	\$3,741,444
Developer Fee	\$3,500,000
Commercial Costs	\$0
Total	\$54,043,328

Project Financing

Estimated Total Project Cost:	\$54,043,328
Estimated Residential Project Cost:	\$54,043,328
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$394
Per Unit Cost:	\$574,929
True Cash Per Unit Cost*:	\$566,418

Construction Financing

Source	Amount
Wells Fargo Bank - T.E. Bonds	\$40,272,325
HCD - TOD Grant	\$4,000,000
City of Oakland	\$2,250,000
AHP	\$920,000
Tax Credit Equity	\$2,000,000

Permanent Financing

Source	Amount
CCRC - Tranche A	\$1,476,800
CCRC - Tranche B	\$12,739,900
HCD - TOD Loan	\$4,000,000
HCD - TOD Grant	\$4,000,000
Alameda County	\$6,350,000
City of Oakland	\$2,250,000
AHP	\$920,000
Deferred developer fee	\$800,000
GP equity	\$1,500,000
Tax Credit Equity	\$20,006,628
TOTAL	\$54,043,328

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$49,742,770
130% High Cost Adjustment:	Yes
Applicable Fraction:	98.92%
Qualified Basis:	\$63,970,272
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$2,079,034
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.96230

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:	\$49,742,770
Actual Eligible Basis:	\$49,742,770
Unadjusted Threshold Basis Limit:	\$30,596,304
Total Adjusted Threshold Basis Limit:	\$72,513,240

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

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: 52%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 48%

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/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 3.25% 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: N/A.

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
\$2,079,034	\$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 fifteen (15) 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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 will be developed beyond the minimum requirements of the green building program by meeting the Green Point Rated for GOLD standard.