

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

REVISED

Embark Apartments, located at 2126 Martin Luther King Jr. Way in Oakland, requested and is being recommended for a reservation of \$1,987,980 in annual federal tax credits to finance the new construction of 61 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Resources for Community Development 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 VHHP program of HCD.

Project Number CA-17-055

Project Name Embark Apartments
Site Address: 2126 Martin Luther King Jr. Way
Oakland, CA 94612 County: Alameda
Census Tract: 4028.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,987,980	\$0
Recommended:	\$1,987,980	\$0

Applicant Information

Applicant: Embark Apartments, L.P.
Contact: Carolyn Bookhart
Address: 2220 Oxford Street
Berkeley, CA 94704
Phone: 510-841-4410 Fax: 510-548-3502
Email: CBookhart@rcdhousing.org

General Partner(s) / Principal Owner(s): RCD GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Resources for Community Development
Developer: Resources for Community Development
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 62
 No. & % of Tax Credit Units: 61 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-Based Vouchers (61 Units -100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 28.40%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 31 50 %
 50% AMI: 30 40 %

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless/Formerly Homeless
 % of Special Need Units: 31 units 51%
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

1 SRO/Studio Units
 57 1-Bedroom Units
 4 2-Bedroom Units

 62 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	20%	20%	\$366
1 SRO/Studio	30%	30%	\$512
24 1 Bedroom	30%	30%	\$548
1 2 Bedrooms	30%	30%	\$658
27 1 Bedroom	50%	50%	\$914
3 2 Bedrooms	50%	50%	\$1,097
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$41,394,144

Project Cost Summary at Application

Land and Acquisition	\$1,518,520
Construction Costs	\$20,792,927
Rehabilitation Costs	\$0
Construction Contingency	\$1,052,937
Relocation	\$0
Architectural/Engineering	\$1,847,706
Const. Interest, Perm. Financing	\$2,673,641
Legal Fees, Appraisals	\$40,000
Reserves	\$965,554
Other Costs	\$2,564,032
Developer Fee	\$1,545,390
Commercial Costs	\$0
Total	\$33,000,707

Project Financing

Estimated Total Project Cost:	\$33,000,707
Estimated Residential Project Cost:	\$33,000,707
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$396
Per Unit Cost:	\$532,269
True Cash Per Unit Cost*:	\$514,198

Construction Financing

Source	Amount
Bank of the West	\$27,151,000
City of Oakland	\$300,000
Land Donation	\$425,000
Deferred Costs	\$1,430,547
Deferred Developer Fee	\$695,425
Tax Credit Equity	\$2,998,735

Permanent Financing

Source	Amount
Bank of the West	\$3,444,016
City of Oakland	\$300,000
Land Donation	\$425,000
HCD - VHHP	\$7,146,464
AHP	\$1,220,000
Deferred Developer Fee	\$695,425
Tax Credit Equity	\$19,769,802
TOTAL	\$33,000,707

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,991,282
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,088,667
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,987,980
Approved Developer Fee in Project Cost:	\$1,545,390
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99447

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:	\$16,991,282
Actual Eligible Basis:	\$29,263,847
Unadjusted Threshold Basis Limit:	\$14,676,916
Total Adjusted Threshold Basis Limit:	\$22,553,153

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:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	53.681%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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:

This project will receive rental subsidies from the HUD Section 8 project-based voucher program for 61 units, of which 31 units will be permanent supportive housing and 30 will be VHHP non-supportive housing units. Of the 31 units, 27 units will be reserved for VASH participants.

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, the 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,987,980	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 fifteen 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of school grounds/facilities open to public with JUA	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.