

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 First Round
June 7, 2017

Grayson Street Apartments, located at 2748 San Pablo Avenue in Berkeley, requested and is being recommended for a reservation of \$550,185 in annual federal tax credits and \$1,692,878 in total state tax credits to finance the new construction of 22 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and will be located in Senate District 9 and Assembly District 15.

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 MHP, IIG, and AHSC programs of HCD.

Project Number CA-17-724

Project Name Grayson Street Apartments
 Site Address: 2748 San Pablo Avenue
 Berkeley, CA 94702 County: Alameda
 Census Tract: 4220.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$550,185	\$1,692,878
Recommended:	\$550,185	\$1,692,878

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Satellite Affordable Housing Associates
 Contact: Jonathan Astmann
 Address: 1835 Alcatraz Avenue
 Berkeley, CA 94703
 Phone: (510) 809-2769 Fax: (510) 649-0312
 Email: jastmann@sahahomes.org

General Partner(s) / Principal Owner(s): Satellite AHA Development Inc.
 General Partner Type: Nonprofit
 Parent Company(ies): Satellite Affordable Housing Associates
 Developer: Satellite Affordable Housing Associates
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Satellite Affordable Housing Associates

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 23
 No. & % of Tax Credit Units: 22 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOPWA / HUD Section 8 Project-based Vouchers (17 units - 77%)
 HCD MHP Funding: Yes
 Average Targeted Affordability of Special Needs/SRO Project Units: 37.27%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 14 60 %
 40% AMI: 4 15 %
 Number of Units @ or below 35% of area median income: 14
 Number of Units @ or below 50% of area median income: 4
 Number of Units @ or below 60% of area median income: 4

Bond Information

Issuer: Alameda County Community Development Agency
 Expected Date of Issuance: 08/01/17
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Type of Special Needs: Transition age youth / Persons with HIV / AIDS / Persons with physical, mental, development disabilities
 % of Special Need Units: 13 Units 57%
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

18 1-Bedroom Units
 5 2-Bedroom Units

 23 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>
13 1 Bedroom	30%	30%	\$548
1 2 Bedrooms	30%	30%	\$658
4 1 Bedroom	40%	40%	\$731
1 1 Bedroom	60%	60%	\$1,097
3 2 Bedrooms	60%	60%	\$1,317
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$19,740,600

Project Cost Summary at Application

Land and Acquisition	\$1,218,558
Construction Costs	\$8,790,244
Rehabilitation Costs	\$0
Construction Contingency	\$704,297
Relocation	\$0
Architectural/Engineering	\$550,747
Const. Interest, Perm. Financing	\$1,026,247
Legal Fees, Appraisals	\$32,969
Reserves	\$99,896
Other Costs	\$2,266,298
Developer Fee	\$1,100,000
Commercial Costs	\$1,959,964
Total	\$17,749,220

Project Financing

Estimated Total Project Cost:	\$17,749,220
Estimated Residential Project Cost:	\$15,651,224
Estimated Commercial Project Cost:	\$138,032

Residential

Construction Cost Per Square Foot:	\$376
Per Unit Cost:	\$680,488
True Cash Per Unit Cost*:	\$666,111

Construction Financing

Source	Amount
Wells Fargo Construction Bond	\$10,117,200
City of Berkeley Trust Fund	\$2,495,000
Alameda County HOPWA	\$360,000
HCD IIG Loan	\$1,000,000
HCD AHSC Loan (AHD Grant)	\$805,846
Accrued Interest on Soft Loans	\$110,403
Seller Carryback	\$250,000
GP Contribution	\$400,000
Defereed Costs	\$421,417
Deferred Developer Fee	\$125,000
Tax Credit Equity	\$1,664,354

Permanent Financing

Source	Amount
CCRC - Tranche B	\$1,535,245
City of Berkeley Trust Fund	\$2,495,000
Alameda County HOPWA	\$360,000
HCD IIG Loan	\$1,000,000
HCD AHSC Loan	\$2,949,480
HCD AHSC Loan (AHD Grant)	\$805,846
HCD MHP Loan	\$1,151,553
Accrued Interest on Soft Loans	\$110,403
Seller Carryback	\$250,000
GP Contribution	\$400,000
Deferred Developer Fee	\$125,000
Tax Credit Equity	\$6,566,693
TOTAL	\$17,749,220

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,022,137
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,928,778
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$550,185
Total State Credit:	\$1,692,877
Approved Developer Fee in Project Cost:	\$1,100,000
Approved Developer Fee in Eligible Basis:	\$961,968
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00000
State Tax Credit Factor:	\$0.62901

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:	\$13,022,137
Actual Eligible Basis:	\$13,022,137
Unadjusted Threshold Basis Limit:	\$6,327,220
Total Adjusted Threshold Basis Limit:	\$18,113,159

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
- 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: 18%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 126%

Tie-Breaker Information

Final: **74.804%**

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 3.25% 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: None.

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 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
\$550,185	\$1,692,878

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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
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 public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
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:LEED	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
Total Points	116	116	116

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.