

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 28, 2008**

**Project Number** CA-2008-846

**Project Name** Altheim Senior Housing, Phase II  
**Address:** 1720 MacArthur Blvd.  
Oakland, CA 94602 County: Alameda

**Applicant Information**

**Applicant:** New Altheim Partners, L.P., a California Limited Partnership  
**Contact** Ernesto Vilchis  
**Address:** 26 O'Farrell St., Suite 600  
San Francisco, CA 94108  
**Phone:** (415) 421-8605 **Fax:** (415) 421-8615  
**Sponsors Type:** Nonprofit

**Bond Information**

**Issuer:** California Municipal Finance Authority  
**Expected Date of Issuance:** June 1, 2008  
**Credit Enhancement:** N/A

**Eligible Basis**

**Actual:** \$22,308,875  
**Requested:** \$22,308,875  
**Maximum Permitted:** \$30,120,530

Extra Feature Adjustments:

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%   
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between  
50% AMI & 36% AMI: 31%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,044,055	\$0
Recommended:	\$1,044,055	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt/HOME  
**HCD MHP Funding:** Yes  
**Total # of Units:** 81  
**Total # Residential Buildings:** 3

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 80 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 25  
**Number of Units @ or below 60% of area median income:** 55

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 Studio	20%	\$301
2 Studio	20%	\$301
1 Studio	35%	\$527
10 One-Bedroom	20%	\$322
12 One-Bedroom	20%	\$322
11 One-Bedroom	35%	\$564
2 One-Bedroom	45%	\$726
38 One-Bedroom	49%	\$782
1 Two-Bedroom	Manager's Unit	\$0

The general partner or principal owner is Altenheim Housing Corporation.

The project developer is Citizen Housing Corporation.

The management services will be provided by CHC Property Management Company.

The market analysis was provided by Newport Realty Advisors.

The Local Reviewing Agency, the City of Oakland, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$26,174,958 Per Unit Cost: \$323,148 Construction Cost Per Sq. Foot: \$257

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank of CA – T.E. Bonds	\$14,939,459	Union Bank of CA – T.E. Bonds	\$571,400
City of Oakland	\$7,568,000	HCD/MHP	\$6,085,773
Accrued Deferred Interest	\$94,706	City of Oakland	\$7,568,000
AHP	\$919,579	Accrued Deferred Interest	\$94,706
		AHP	\$919,579
		GP Capital Contribution	\$1,200,000
		Deferred Developer Fee	\$266,500
		Investor Equity	\$9,469,000
		<b>TOTAL</b>	<b>\$26,174,958</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$22,308,875
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$29,001,538
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,044,055
Approved Developer Fee:	\$2,500,000
Tax Credit Factor: <i>Community Economics</i>	\$0.9069

Applicant requests and staff recommends annual federal credits of \$1,044,055 based on a qualified basis of \$29,001,538 and a funding shortfall of \$9,469,000.

**Cost Analysis and Line Item Review**

The requested eligible basis \$22,308,875 is below TCAC's adjusted threshold basis limit \$30,120,530. The basis limit includes the adjustment for extraordinary features for exceeding Title 24 by at least 15%, using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system, and for using CRI Green Label Plus Carpet or no carpet in all bedrooms. The basis limit also includes the adjustment for the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** None

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
<b>\$1,044,055</b>	<b>\$0</b>

**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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 educational classes for a minimum of ten (10) 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.

Project Analyst: Anthony Zeto