

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 20, 2011**

**Project Number** CA-2011-874

**Project Name** Kenneth Henry Court  
Site Address: 6455 Foothill Boulevard  
Oakland, CA 94605 County: Alameda  
Census Tract: 4087.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$175,688	\$0
Recommended:	\$175,688	\$0

**Applicant Information**

Applicant: Kenneth Henry Court, LP  
Contact: Dori Kojima  
Address: 1521 University Avenue  
Berkeley, CA 94703  
Phone: 510-647-0700 Fax: 510-647-0820  
Email: dkojima@sathomes.org

General partner(s) or principal owner(s): Kenneth Henry Court, LLC  
General Partner Type: Nonprofit  
Developer: Satellite Housing, Inc.  
Investor/Consultant: Enterprise Community Investment, Inc.  
Management Agent: Satellite Housing, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 4  
Total # of Units: 51  
No. & % of Tax Credit Units: 50 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax Exempt / HUD Project-based Section 8 (25% - 13 units)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 43  
Number of Units @ or below 60% of area median income: 7

**Bond Information**

Issuer: California Municipal Finance Authority  
Expected Date of Issuance: September 2011  
Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

8 1-Bedroom Units
27 2-Bedroom Units
14 3-Bedroom Units
2 4-Bedroom Units
<hr/>
51 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	50%	34%	\$584
1 1 Bedroom	50%	39%	\$665
2 1 Bedroom	50%	43%	\$732
2 1 Bedroom	50%	46%	\$784
1 1 Bedroom	60%	43%	\$732
1 1 Bedroom	60%	56%	\$944
2 2 Bedrooms	50%	33%	\$663
7 2 Bedrooms	50%	35%	\$715
1 2 Bedrooms	50%	40%	\$808
1 2 Bedrooms	50%	42%	\$860
10 2 Bedrooms	50%	44%	\$895
1 2 Bedrooms	50%	48%	\$972
2 2 Bedrooms	50%	50%	\$1,009
1 2 Bedrooms	60%	56%	\$1,135
2 2 Bedrooms	60%	57%	\$1,155
1 3 Bedrooms	50%	26%	\$607
2 3 Bedrooms	50%	32%	\$754
1 3 Bedrooms	50%	34%	\$797
5 3 Bedrooms	50%	35%	\$814
2 3 Bedrooms	50%	42%	\$993
2 3 Bedrooms	60%	53%	\$1,243
1 4 Bedrooms	50%	34%	\$902
1 4 Bedrooms	50%	39%	\$1,021
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$5,498,165

**Residential**

Construction Cost Per Square Foot: \$40

Per Unit Cost: \$107,807

**Construction Financing****Permanent Financing**

Source	Amount	Source	Amount
US Bank - Tax Exempt Bonds	\$3,200,000	US Bank Tranche A	\$607,300
City of Oakland (new)	\$675,000	US Bank Tranche B - Section 8	\$856,300
City of Oakland (existing)	\$165,721	City of Oakland (new)	\$1,375,000
Oakland Redevelopment Agency (existing)	\$125,361	City of Oakland (existing)	\$165,721
HCD RHCP (existing)	\$630,080	Oakland Redevelopment Agency (existing)	\$125,361
Existing Reserves	\$51,000	HCD RHCP (existing)	\$630,080
Operating Income	\$25,000	Existing Reserves	\$51,000
Tax Credit Equity	\$400,000	Operating Income	\$25,000
		Deferred Developer Fee	\$103,397
		General Partner Equity	\$1,000
		Tax Credit Equity	\$1,558,006
		<b>TOTAL</b>	<b>\$5,498,165</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation): \$3,332,256

130% High Cost Adjustment: Yes

Requested Eligible Basis (Acquisition): \$835,373

Applicable Fraction: 100.00%

Qualified Basis (Rehabilitation): \$4,331,933

Applicable Rate: 3.40%

Qualified Basis (Acquisition): \$835,373

Applicable Rate: 3.40%

Maximum Annual Federal Credit, Rehabilitation: \$147,285

Maximum Annual Federal Credit, Acquisition: \$28,403

Total Maximum Annual Federal Credit: \$175,688

Approved Developer Fee (in Project Cost &amp; Eligible Basis): \$543,604

Investor/Consultant: Enterprise Community Investment, Inc.

Federal Tax Credit Factor: \$0.88680

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:	\$4,167,629
Actual Eligible Basis:	\$4,167,629
Unadjusted Threshold Basis Limit:	\$17,148,142
Total Adjusted Threshold Basis Limit:	\$31,895,544

**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: 86%

**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 3.40% 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

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$175,688</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 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 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 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 educational classes and a bona fide service coordinator/social worker free of charge 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.

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 placed-in-service application is submitted:

- 1) Interior paint with no volatile organic compounds. (5 grams per liter or less);
- 2) CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less;
- 3) Bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer.