

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2011
REVISED

Project Number CA-2011-900

Project Name Satellite First Communities (five properties)

Site Addresses: Satellite Central Doh On Yuen
540 21st Street 211 8th Street
Oakland, CA 94612 Oakland, CA 94607

Census Tracts: 4028.0 4033.0

Glen Brook Terrace Park Boulevard
4030 Panama Court 4135 Park Boulevard
Oakland, CA 94611 Oakland, CA 94602
4041.0 4050.0

Stuart Pratt Manor
2020 Durant Avenue
Berkeley, CA 94704
4229.0

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,064,643	\$0
Recommended:	\$2,064,643	\$0

Applicant Information

Applicant: Satellite First Communities, LP
Contact: Barbara Sanders or Dori Kojima
Address: 1521 University Avenue
Berkeley, CA 94703

Phone: 510-261-9509 Fax: 510-647-0820
Email: barbsa9509@aol.com or dkojima@sathomes.org

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

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 5
Total # of Units: 346
No. & % of Tax Credit Units: 345 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 (100% - 345 units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 39
Number of Units @ or below 60% of area median income: 306

Bond Information

Issuer: CMFA
Expected Date of Issuance: December 2011
Credit Enhancement: None

Information

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

Unit Mix

269 SRO/Studio Units
77 1-Bedroom Units
346 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
Satellite Central			
16 SRO/Studio	50%	50%	\$808
100 SRO/Studio	60%	56%	\$910
36 1 Bedroom	60%	60%	\$1,039
1 SRO/Studio	Manager's Unit	Manager's Unit	\$590
Doh On Yuen*			
5 SRO/Studio	50%	50%	\$808
30 SRO/Studio	60%	59%	\$950
10 1 Bedroom	60%	60%	\$1,039
Glen Brook Terrace*			
7 SRO/Studio	50%	50%	\$808
49 SRO/Studio	60%	51%	\$830
9 1 Bedroom	60%	54%	\$940
Park Boulevard*			
4 SRO/Studio	50%	50%	\$808
29 SRO/Studio	60%	56%	\$900
7 1 Bedroom	60%	60%	\$1,039
Stuart Pratt*			
5 SRO/Studio	50%	50%	\$808
23 SRO/Studio	60%	56%	\$910
2 1 Bedroom	50%	50%	\$866
13 1 Bedroom	60%	60%	\$1,039

*Each site has income qualified residents employed as assistant resident managers reporting to a property supervisor.

Project Financing		Residential	
Estimated Total Project Cost:	\$63,416,935	Construction Cost Per Square Foot:	\$136
		Per Unit Cost:	\$183,286
Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$33,574,233	Citibank	\$16,780,000
Seller Financing	\$22,775,000	Seller Financing	\$22,775,000
Income from Operations	\$1,722,148	Income from Operations	\$1,722,148
Tax Credit Equity	\$1,084,455	General Partner Equity	\$100
		Solar Credit Equity	\$135,490
		Tax Credit Equity	\$22,004,197
		TOTAL	\$63,416,935

Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$21,617,414	Three Sites: Satellite Central, Yes Doh On Yuen, Stuart Pratt
130% High Cost Adjustment:		
Qualified Basis (Rehabilitation):	\$28,102,638	
Requested Eligible Basis (Rehabilitation):	\$10,567,477	Two Sites: Park Boulevard, No Glen Brook Terrace
130% High Cost Adjustment:		
Qualified Basis (Rehabilitation):	\$10,567,477	
Requested Eligible Basis (Acquisition):	\$22,054,690	All Sites
Qualified Basis (Acquisition):	\$22,054,690	
Applicable Fraction:	100.00%	
Applicable Rate:	3.40%	
Maximum Annual Federal Credit, Rehabilitation:	\$1,314,784	
Maximum Annual Federal Credit, Acquisition:	\$749,859	
Total Maximum Annual Federal Credit:	\$2,064,643	
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000	
Investor/Consultant:	Enterprise Community Investment	
Federal Tax Credit Factor:	\$1.06576	

**See Special Issues/Other Significant Information below.

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:	\$54,239,581
Actual Eligible Basis:	\$54,239,581
Unadjusted Threshold Basis Limit:	\$81,083,378
Total Adjusted Threshold Basis Limit:	\$89,998,736

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: 11%

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:

This project is a rehabilitation of an existing scattered site HUD 236 project. Three of the five sites are in Qualified Census Tracts (QCTs) eligible for a 130% high cost basis adjustment.

The applicant’s estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Tenants do not pay utilities.

Local Reviewing Agency:

The Local Reviewing Agencies, City of Oakland and City of Berkeley Housing and Community Services Department, have completed site reviews of this project and strongly support 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
\$2,064,643	\$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 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: For all five sites, the applicant/owner is required to provide the tenants with educational classes and a bona fide service coordinator 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.

For the Berkeley site only (Stuart Pratt Manor), 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:

Interior paint with no volatile organic compounds. (5 grams per liter or less);

CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less;

At least one of the following recycled materials at the designated levels: a) cast-in-place concrete (20% flyash); b) carpet (25%); c) road base, fill or landscape amendments (30%).