

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 15, 2017

3706 San Pablo, located at 3706 San Pablo Avenue in Emeryville, requested and is being recommended for a reservation of \$2,228,083 in annual federal tax credits to finance the new construction of 86 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by EAH, Inc. and will be located in Senate District 9 and Assembly District 5.

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 IIG and AHSC programs of HCD.

Project Number CA-17-713

Project Name 3706 San Pablo
Site Address: 3706 San Pablo Avenue
Emeryville, CA 94608 County: Alameda
Census Tract: 4251.04 and 4010.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,228,083	\$0
Recommended:	\$2,228,083	\$0

Applicant Information

Applicant: 3706 San Pablo Emeryville, L.P.
Contact: Errol Dominguez
Address: 2169 E. Francisco Blvd
San Rafael, CA 94608
Phone: (415) 295-8855 Fax: (415) 295-8855
Email: Errol.Dominguez@eahhousing.org

General Partner(s) or Principal Owner(s): 3706 San Pablo Emeryville EAH, LLC
General Partner Type: Nonprofit
Parent Company(ies): EAH, Inc.
Developer: EAH, Inc.
Investor/Consultant: Wells Fargo Bank
Management Agent: EAH, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 87
No. & % of Tax Credit Units: 86 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME / CDBG / HOPWA /
HUD Section 8 OHA Project-based Voucher (15 units - 17%) /
HUD Section 8 HACA Project-based Voucher (12 units - 14%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 26
Number of Units @ or below 50% of area median income: 44
Number of Units @ or below 60% of area median income: 16

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: April 1, 2017
Credit Enhancement: N/A

Information

Housing Type: Large Family
Geographic Area: North and East Bay Region
TCAC Project Analyst: Lucy Vang

Unit Mix

4 SRO/Studio Units
8 1-Bedroom Units
45 2-Bedroom Units
23 3-Bedroom Units
7 4-Bedroom Units
87 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>
4 SRO/Studio	30%	30%	\$512
6 1 Bedroom	30%	30%	\$548
2 1 Bedroom	50%	50%	\$914
9 2 Bedrooms	30%	30%	\$658
5 2 Bedrooms	40%	40%	\$878
21 2 Bedrooms	50%	50%	\$1,097
10 2 Bedrooms	60%	60%	\$1,317
5 3 Bedrooms	30%	30%	\$760
3 3 Bedrooms	40%	40%	\$1,014
9 3 Bedrooms	50%	50%	\$1,267
5 3 Bedrooms	60%	60%	\$1,521
2 4 Bedrooms	30%	30%	\$848
1 4 Bedrooms	40%	40%	\$1,131
3 4 Bedrooms	50%	50%	\$1,413
1 4 Bedrooms	60%	60%	\$1,696
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$132,207,900

Project Cost Summary at Application

Land and Acquisition	\$4,344,830
Construction Costs	\$39,988,054
Rehabilitation Costs	\$0
Construction Contingency	\$1,998,115
Relocation	\$0
Architectural/Engineering	\$1,451,056
Const. Interest, Perm. Financing	\$3,678,993
Legal Fees, Appraisals	\$103,041
Reserves	\$780,086
Other Costs	\$4,083,387
Developer Fee	\$4,500,000
Commercial Costs	\$2,863,873
Total	\$63,791,436

Project Financing

Estimated Total Project Cost:	\$63,791,436
Estimated Residential Project Cost:	\$60,532,811
Estimated Commercial Project Cost:	\$3,258,625

Residential

Construction Cost Per Square Foot:	\$287
Per Unit Cost:	\$695,779
True Cash Per Unit Cost*:	\$613,976

Construction Financing

Source	Amount
Wells Fargo Bank	\$41,000,000
City of Oakland	\$2,000,000
City of Emeryville	\$4,500,000
Alameda County - HOME	\$2,520,658
Emeryville Land Donation	\$4,500,000
AHP	\$860,000
HCD - IIG	\$2,500,000
General Partner Equity	\$250,000
Tax Credit Equity	\$1,500,000

Permanent Financing

Source	Amount
Wells Fargo Bank Tranche A	\$2,939,900
Wells Fargo Bank Tranche B	\$7,456,200
City of Oakland**	\$2,053,632
City of Emeryville**	\$4,620,671
Alameda County**	\$2,588,251
Emeryville Land Donation	\$4,500,000
AHP	\$860,000
HCD - AHSC	\$5,400,000
HCD - IIG	\$2,500,000
Deferred Developer Fee	\$3,000,000
General Partner Equity	\$1,027,875
Limited Partner Equity	\$130,192
Tax Credit Equity	\$26,714,715
TOTAL	\$63,791,436

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

** Accrued Interest included in total amount

Determination of Credit Amount(s)

Requested Eligible Basis:	\$53,232,735
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$69,202,555
Applicable Rate:	3.22%
Total Maximum Annual Federal Credit:	\$2,228,083
Approved Developer Fee in Project Cost:	\$4,500,000
Approved Developer Fee in Eligible Basis:	\$4,105,248
Investor/Consultant:	Wells Fargo Bank
Federal Tax Credit Factor:	\$1.19900

Per Regulation Section 10322(h)(9)(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:	\$53,232,735
Actual Eligible Basis:	\$53,232,735
Unadjusted Threshold Basis Limit:	\$29,832,166
Total Adjusted Threshold Basis Limit:	\$74,934,153

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

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: 50%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 60%

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 3.22% 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, City of Emeryville, 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
\$2,228,083	\$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 a 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.

Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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:

- After school program for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year

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 TCAC placed-in-service application is submitted:

- The project commits to becoming certified under the following program:
Leadership in Energy & Environmental Design (LEED for Homes)