

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2013 Second Round
September 25, 2013
REVISED

Project Number CA-13-869

Project Name Berkeley Scattered Site Housing (15 Sites)

Site Address:	<u>Site 1</u> 1107-1123 Francisco St. Berkeley, CA 94701	<u>Site 2</u> 1161-1175 Francisco St. Berkeley, CA 94701
Census Tract:	4222.00	4222.00
	<u>Site 3</u> 1323 Channing Way and 2374 West Street Berkeley, CA 94701	<u>Site 4</u> 1360 Dwight Way and 1370 Dwight Way Berkeley, CA 94702
	4321.00	4233.00
	<u>Site 5</u> 1371 Dwight Way 2450 Valley Street Berkeley, CA 94701	<u>Site 6</u> 1402-1408 MLK Jr. Way 1838-1840 Rose Street Berkeley, CA 94709
	4231.00	4218.00
	<u>Site 7</u> 1500-1504 7th Street 870 and 880 Jones Street Berkeley, CA 94701	<u>Site 8</u> 1903-1917 and 1921-1927 Ward Street Berkeley, CA 94701
	4221.00	4235.00
	<u>Site 9</u> 2024-2036 Virginia Street Berkeley, CA 94709	<u>Site 10</u> 2725-2737 Sojourner Truth Ct. 2798 A and 2799 B Sacramento St. Berkeley, CA 94701
	4224.00	4233.00
	<u>Site 11</u> 1812 Fairview Street #s A, B, and C Berkeley, CA 94703	<u>Site 12</u> 1521 Alcatraz Avenue #s A, B,C, and D Berkeley, CA 94701
	4240.01	4240.01

Site Address (cont.):	<u>Site 13</u> 1605 Stuart Street #'s A, B, and C Berkeley, CA 94703 4231.00	<u>Site 14</u> 3016 Harper Street #'s A and B Berkeley, CA 94701 4240.01
Census Tract (cont.):	4231.00	

Site 15
2231 8th Street #'s A and B
Berkeley, CA 94701
4232.000

County: Alameda

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$990,460	\$1,347,612
Recommended:	\$990,460	\$1,282,501

Applicant Information

Applicant:	Berkeley 75 Housing Partners, L.P.	
Contact:	Frank Cardone	
Address:	18201 Von Karman Ave, Suite 900 Irvine, CA 92612	
Phone:	949-660-7272	Fax: 949-660-7273
Email:	fcardone@related.com	

General Partner(s) or Principal Owner(s):	Berkeley 75 Housing MGP, LLC Related/Berkeley 75 Development Co., LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Affordable Housing Access The Related Companies of California
Developer:	The Related Companies of California
Investor/Consultant:	Union Bank
Management Agent:	Related Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 75
 Total # of Units: 75
 No. & % of Tax Credit Units: 74 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HUD Section 8 Project-based Vouchers (75 units - 100%)

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI: 8 10 %
 45% AMI: 19 25 %
 50% AMI: 30 40 %

Affordability Breakdown by % (Basis Limit Increase):

Number of Units @ or below 35% of area median income: 8
 Number of Units @ or below 50% of area median income: 49
 Number of Units @ or below 60% of area median income: 17

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: December 15, 2013
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

4 2-Bedroom Units
 43 3-Bedroom Units
 28 4-Bedroom Units

 75 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
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Site 1

1 3 Bedroom	30%	30%	\$696
3 3 Bedroom	45%	45%	\$1,044
1 3 Bedroom	50%	50%	\$1,160
1 4 Bedroom	30%	30%	\$776
2 4 Bedroom	50%	50%	\$1,293
1 4 Bedroom	60%	60%	\$1,552

<u>Unit Type & Number (Continued)</u>	<u>2013 Rents Targeted % of Area Median Income (Continued)</u>	<u>2013 Rents Actual % of Area Median Income (Continued)</u>	<u>Proposed Rent (including utilities) (Continued)</u>
<u>Site 2</u>			
1 3 Bedroom	30%	30%	\$696
1 3 Bedroom	45%	45%	\$1,044
1 3 Bedroom	50%	50%	\$1,160
1 3 Bedroom	60%	60%	\$1,392
1 4 Bedroom	30%	30%	\$776
1 4 Bedroom	50%	50%	\$1,293
1 4 Bedroom	60%	60%	\$1,552
<u>Site 3</u>			
1 3 Bedroom	45%	45%	\$1,044
1 4 Bedroom	50%	50%	\$1,293
<u>Site 4</u>			
1 2 Bedroom	50%	50%	\$1,003
1 4 Bedroom	45%	45%	\$1,164
<u>Site 5</u>			
1 3 Bedroom	45%	45%	\$1,044
1 4 Bedroom	60%	60%	\$1,552
<u>Site 6</u>			
1 3 Bedroom	30%	30%	\$696
1 3 Bedroom	45%	45%	\$1,044
1 3 Bedroom	50%	50%	\$1,160
2 4 Bedroom	50%	50%	\$1,293
1 4 Bedroom	60%	60%	\$1,552
<u>Site 7</u>			
1 3 Bedroom	30%	30%	\$696
2 3 Bedroom	50%	50%	\$1,160
1 4 Bedroom	45%	45%	\$1,164
1 4 Bedroom	50%	50%	\$1,293
<u>Site 8</u>			
1 2 Bedroom	45%	45%	\$903
1 2 Bedroom	50%	50%	\$1,003
3 3 Bedroom	50%	50%	\$1,160
2 3 Bedroom	60%	60%	\$1,392
1 4 Bedroom	45%	45%	\$1,164
2 4 Bedroom	50%	50%	\$1,293
2 4 Bedroom	60%	60%	\$1,552

<u>Unit Type & Number (Continued)</u>	<u>2013 Rents Targeted % of Area Median Income (Continued)</u>	<u>2013 Rents Actual % of Area Median Income (Continued)</u>	<u>Proposed Rent (including utilities) (Continued)</u>
<u>Site 9</u>			
3 3 Bedroom	50%	50%	\$1,160
1 3 Bedroom	60%	60%	\$1,392
1 4 Bedroom	30%	30%	\$776
1 4 Bedroom	45%	45%	\$1,164
1 4 Bedroom	60%	60%	\$1,552
<u>Site 10</u>			
1 2 Bedroom	60%	60%	\$1,204
2 3 Bedroom	45%	45%	\$1,044
2 3 Bedroom	50%	50%	\$1,160
1 3 Bedroom	60%	60%	\$1,392
2 4 Bedroom	50%	50%	\$1,293
1 4 Bedroom	60%	60%	\$1,552
<u>Site 11</u>			
1 3 Bedroom	45%	45%	\$1,044
1 3 Bedroom	50%	50%	\$1,160
1 3 Bedroom	60%	60%	\$1,392
<u>Site 12</u>			
1 3 Bedroom	30%	30%	\$696
1 3 Bedroom	45%	45%	\$1,044
2 3 Bedroom	50%	50%	\$1,160
<u>Site 13</u>			
1 3 Bedroom	45%	45%	\$1,044
1 3 Bedroom	50%	50%	\$1,160
1 3 Bedroom	60%	60%	\$1,392
<u>Site 14</u>			
1 4 Bedroom	45%	45%	\$1,164
1 4 Bedroom	60%	60%	\$1,552
<u>Site 15</u>			
1 3 Bedroom	45%	45%	\$1,044
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$34,997,435
Estimated Residential Project Cost:	\$34,997,435

Residential

Construction Cost Per Square Foot:	\$99
Per Unit Cost:	\$466,632

Construction Financing

Source	Amount
Citibank Mortgage	\$18,500,000
Berkeley Housing Authority Loan	\$10,715,552
City of Berkeley HOME Loan	\$400,000
HCD RHCP Loan	\$763,689
Costs Deferred Until Permanent	\$926,827
Deferred Developer Fee	\$2,000,000
Tax Credit Equity	\$1,691,367

Permanent Financing

Source	Amount
Citibank Mortgage (Tranche A)	\$4,278,000
Citibank Mortgage (Tranche B)	\$6,993,856
Berkeley Housing Authority Loan	\$10,284,455
City of Berkeley HOME Loan	\$400,000
HCD RHCP Loan	\$763,689
Capitalized Interest - BHA Loan	\$361,650
Deferred Developer Fee	\$640,000
Tax Credit Equity	\$11,275,785
TOTAL	\$34,997,435

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,114,571	Four Sites 7, 9, 13 and 15
130% High Cost Adjustment:		Yes
Qualified Basis (Rehabilitation):	\$4,048,942	
Requested Eligible Basis (Rehabilitation):	\$10,626,184	Eleven Sites 1, 2, 3, 4, 5, 6, 8, 10,
130% High Cost Adjustment:		No 11, 12 and 14
Qualified Basis (Rehabilitation):	\$10,626,184	
Requested Eligible Basis (Acquisition):	\$16,276,769	All Sites
Qualified Basis (Acquisition):	\$16,276,769	
Applicable Fraction:	100.00%	
Applicable Rate:	3.20%	
Maximum Annual Federal Credit, Rehabilitation:	\$469,604	
Maximum Annual Federal Credit, Acquisition:	\$520,857	
Total Maximum Annual Federal Credit:	\$990,461	
Total State Credit:	\$1,282,501	
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000	
Investor/Consultant:	Union Bank	
Federal Tax Credit Factor:	\$1.05000	
State Tax Credit Factor:	\$0.68300	

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: \$30,017,524
Actual Eligible Basis: \$30,017,524
Unadjusted Threshold Basis Limit: \$30,086,272
Total Adjusted Threshold Basis Limit: \$61,977,720

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 66%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

Tie-Breaker Information

Final: N/A

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 3.20% 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 is a rehabilitation of 15 existing sites regulated by HUD that are scattered throughout the City of Berkeley.

The applicant’s estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

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, the City of Berkeley, Health, Housing & Community Services Department, 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
\$990,460	\$1,282,501

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 ten 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 (Site 1)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of public library	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¾ mile of an elementary school resident children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Site Amenities (Site 2)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public library	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¾ mile of an elementary school resident children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Site Amenities (Site 3)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Within ¾ mile of an elementary school resident children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Site Amenities (Site 4)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of a high school resident children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2

Points System (Continued)	Max. Possible Points	Requested Points	Points Awarded
Site Amenities (Site 5)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of a high school resident children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Site Amenities (Site 6)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of a middle school resident children may attend	3	3	3
Within ½ mile of a pharmacy	1	1	1
Site Amenities (Site 7)	15	15	15
Within 1/3 mile of a bus stop, service every 30 minutes in rush hours	5	5	5
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¾ mile of an elementary school resident children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1
Site Amenities (Site 8)	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public library	3	3	3
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a middle school resident children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Site Amenities (Site 9)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of a middle school resident children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ¼ mile of a pharmacy	2	2	2
Site Amenities (Site 10)	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1/2 mile of a middle school resident children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1

Points System (Continued)	Max. Possible Points	Requested Points	Points Awarded
Site Amenities (Site 11)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1.5 mile of a high school resident children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Site Amenities (Site 12)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1.5 mile of a high school resident children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Site Amenities (Site 13)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	2	2
Within ½ mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1/2 mile of a middle school resident children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Site Amenities (Site 14)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of a middle school resident children may attend	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1
Site Amenities (Site 15)	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/4 mile of an elementary school resident children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Service Amenities	10	5	5
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	0
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	0	5

Points System (Continued)	Max. Possible Points	Requested Points	Points Awarded
Sustainable Building Methods	10	6	6
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 15%	3	3	3
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
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	20	15	10
Total Points	126	112	107

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.