

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project**

July 15, 2015

REVISED

Project Number CA-15-866

Project Name Marcus Garvey Hismen Hin-Nu Acquisition/Rehabilitation Project

Site Address: **Marcus Garvey** **Hismen Hin-Nu**
1769 Goss Street 2555 International Blvd.
Oakland, CA 94607 Oakland, CA 94601

Census Tract: 4017.000 4061.000

County: Alameda

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,264,520	\$0
Recommended:	\$1,264,520	\$0

Applicant Information

Applicant: Hin-Nu Garvey Associates, L.P.
Contact: Carlos Castellanos
Address: 1825 San Pablo Avenue, Suite 200
Oakland, CA 94612
Phone: 510-287-5353
Email: ccastellanos@ebaldc.org

General Partner(s) or Principal Owner(s): Hin-Nu Garvey, LLC
General Partner Type: Nonprofit
Parent Company(ies): East Bay Asian Local Development Corporation
Developer: East Bay Asian Local Development Corporation
Investor/Consultant: Community Economics
Management Agent: East Bay Asian Local Development Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 114
No. & % of Tax Credit Units: 111 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-based
Vouchers (7 units - 6%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 11
Number of Units @ or below 50% of area median income: 31
Number of Units @ or below 60% of area median income: 69

Bond Information

Issuer: California Municipal Finance Authority (CMFA)
 Expected Date of Issuance: November 12, 2015
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

20 1-Bedroom Units
 44 2-Bedroom Units
 38 3-Bedroom Units
 12 4-Bedroom Units

 114 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
Marcus Garvey			
1 1 Bedroom	35%	35%	\$610
1 1 Bedroom	60%	60%	\$1,046
4 2 Bedrooms	35%	35%	\$732
1 2 Bedrooms	60%	60%	\$1,255
2 3 Bedrooms	35%	35%	\$845
2 3 Bedrooms	35%	33%	\$792
1 3 Bedrooms	60%	53%	\$1,276
3 3 Bedrooms	60%	60%	\$1,449
1 4 Bedrooms	50%	50%	\$1,347
1 4 Bedrooms	50%	32%	\$856
1 1 Bedroom	35%	35%	\$610
1 1 Bedroom	60%	60%	\$1,046
1 2 Bedrooms	35%	35%	\$732
1 2 Bedrooms	60%	60%	\$1,255
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
Hismen Hin-Nu			
9 1 Bedroom	50%	40%	\$696
4 1 Bedroom	50%	50%	\$871
1 1 Bedroom	60%	44%	\$768
2 1 Bedroom	60%	60%	\$1,046
22 2 Bedrooms	60%	49%	\$1,021
13 2 Bedrooms	60%	60%	\$1,255
6 3 Bedrooms	50%	36%	\$864
10 3 Bedrooms	50%	50%	\$1,208
4 3 Bedrooms	60%	41%	\$987
9 3 Bedrooms	60%	60%	\$1,449
10 4 Bedrooms	60%	60%	\$1,617
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$15,615,000
Construction Costs	\$0
Rehabilitation Costs	\$11,745,265
Construction Contingency	\$608,985
Relocation	\$1,220,800
Architectural/Engineering	\$505,560
Construction Interest, Perm Financing	\$1,529,307
Legal Fees, Appraisals	\$72,000
Reserves	\$469,341
Other Costs	\$507,883
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$34,774,141

Project Financing

Estimated Total Project Cost:	\$34,774,141
Estimated Residential Project Cost:	\$34,774,141

Residential

Construction Cost Per Square Foot:	\$98
Per Unit Cost:	\$305,036

Construction Financing

Source	Amount
Wells Fargo	\$20,300,000
HCD RHCP Loan - Hismen Hin-Nu	\$5,341,706
HCD RHCP Loan - Marcus Garvey	\$1,803,265
City of Oakland Loan - Hismen Hin-Nu	\$3,445,052
City of Oakland Loan - Marcus Garvey	\$766,613
Seller Take-Back Loan	\$968,578
Tax Credit Equity	\$958,831

Permanent Financing

Source	Amount
Permanent Mortgage - CCRC	\$2,754,000
HCD RHCP Loan - Hismen Hin-Nu	\$5,341,706
HCD RHCP Loan - Marcus Garvey	\$1,803,265
City of Oakland Loan - Hismen Hin-Nu	\$3,445,052
City of Oakland Loan - Marcus Garvey	\$1,500,613
AHP	\$1,110,000
Seller Take-Back Loan	\$968,578
General Partner Loan	\$2,480,000
Existing Reserves	\$564,847
Income From Operations	\$92,540
General Partner Equity	\$529,557
Deferred Developer Fee	\$586,400
Tax Credit Equity	\$13,597,583
TOTAL	\$34,774,141

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,276,382
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,159,479
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,159,297
Qualified Basis (Acquisition):	\$17,159,479
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$698,257
Maximum Annual Federal Credit, Acquisition:	\$566,263
Total Maximum Annual Federal Credit:	\$1,264,520
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.07532

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:	\$33,435,861
Actual Eligible Basis:	\$33,435,861
Unadjusted Threshold Basis Limit:	\$37,394,272
Total Adjusted Threshold Basis Limit:	\$54,278,438

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: 27%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 18%

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 3.30% 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 consists of 2 scattered sites and are re-syndications of existing Low Income Housing Tax Credit (LIHTC) projects, Marcus Garvy (CA-92-139) and Hismen Hin-Nu (CA-92-866).

All units at Marcus Garvey are individually metered for water and tenants are billed directly by the city for usage. The water meters are located outside of each building on the walk-ways that approach the units.

The project was awarded a total of 10 project-based vouchers. The initial contract will include 7 units and with the remaining 3 occupied by tenant-based voucher holders. Upon unit turnover these units will become project-based vouchers.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,264,520	\$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 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year off-site within 1/2 mile, this applies to the Hismen Hin-Nu site only.