

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$1,510,314

The amount of allocation requested is supplemental to the \$11,489,686 of allocation the Project received on December 15, 2010.

Project Information:

Name: Red Star Apartments
Project Address: 1396 5th Street
Project City, County, Zip Code: Oakland, Alameda, 94607

Project Sponsor Information:

Name: Oakland Housing Investors, L.P. (Oakland-Red Star, LLC; Red Star-Michael's, LLC LINC Housing Corporation and National Affordable Communities, Inc.)
Principals: Christine Hanna and Darren Berberian for Oakland-Red Star, LLC; Michael J. Levitt, John J. O'Donnell, David Lukens, Joseph Purcell and Susan M. Langley for Red Star-Michaels, LLC; Hunter Johnson and Suny Lay Change for LINC Housing Corporation

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A. /Freddie Mac (Construction) - Oak Grove Commercial Mortgage, LLC (Permanent)
TEFRA Hearing Date: November 15, 2010

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 118, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The development will be a 119-unit senior apartment community with a ground floor retail area of approximately 2,945 square feet. The project will consist of 1 four-story residential apartment building over an on grade parking garage. The will be a recreation building containing the office and recreation center. The recreation center is designed to support seniors by offering arts and crafts, movie clubs, music appreciation, etc. According to the project sponsor, the Award-winning KTG Y Group designed the project. Careful consideration was given to designing a project that meets the demands of senior affordability, yet has the architectural amenities to present itself as a quality market rate comparable apartment community.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
61% (72 units) restricted to 50% or less of area median income households.
39% (46 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

Of the 119 units, 103 are one-bedroom units of approximately 558-624 square feet and 15 are two-bedroom units of approximately 793-872 square feet. The project has committed to providing educational classes for a period of ten years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	25,268,341	
Estimated Hard Costs per Unit:	\$	117,125	(\$13,820,700 /118 units)
Estimated per Unit Cost:	\$	214,138	(\$25,268,341 /118 units)
Allocation per Unit:	\$	110,169	(\$1,510,314 /118 units)
Allocation per Restricted Rental Unit:	\$	110,169	(\$1,510,314 /118 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 13,000,000	\$ 10,100,000
Retail Construction Loan	\$ 529,400	\$ 529,400
Deferred Developer Fee	\$ 1,400,000	\$ 907,543
LIH Tax Credit Equity	\$ 3,630,441	\$ 7,022,898
Direct & Indirect Public Funds	\$ 5,708,500	\$ 5,708,500
Seller	\$ 1,000,000	\$ 1,000,000
Total Sources	\$ 25,268,341	\$ 25,268,341

Uses of Funds:	
Land Purchase	\$ 3,750,000
On & Off Site Costs	\$ 1,263,011
Hard Construction Costs	\$ 12,557,689
Architect & Engineering Fees	\$ 979,500
Contractor Overhead & Profit	\$ 541,522
Developer Fee	\$ 1,400,000
Cost of Issuance	\$ 1,280,800
Capitalized Interest	\$ 1,370,800
Other Soft Costs (Marketing, etc)	\$ 2,125,019
Total Uses	\$ 25,268,341

Description of Financial Structure and Bond Issuance:

The Project Sponsor has secured a letter of credit through Bank of America, N.A that will be held by Freddie Mac as a "backup" to its construction loan and will be surrendered by Freddie Mac upon achievement of conversion. The permanent loan will be carried by Oak Grove Commercial Mortgage, LLC as a permanent placement through Freddie Mac. In addition to the tax-exempt bond allocation, the project has \$2,680,000 committed through the Federal Home Loan Affordable Housing Program and a grant from the Infill Infrastructure Grant Program.

Analyst Comments:

The project received an allocation of \$11,489,686 on December 15, 2010. The project sponsor is currently requesting an additional \$1,510,314 due to under estimating the hard construction costs for the project. The previous estimated construction cost per unit was \$92,000 per unit, the new estimated cost is currently \$110,000 per unit. After the bidding and subcontractors cost were finalized, the prevailing wage increased the total cost of the project by \$2,000,000.

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Recommendation:

Staff recommends that the Committee approve \$1,510,314 in tax exempt bond allocation.