

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2011 First Round**  
**June 22, 2011**

**Project Number** CA-2011-004

**Project Name** California Hotel  
 Site Address: 3501 San Pablo Avenue  
 Oakland, CA 94608 County: Alameda  
 Census Tract: 4015.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,676,025	\$0
Recommended:	\$1,676,025	\$0

**Applicant Information**

Applicant: East Bay Asian Local Development Corporation (EBALDC)  
 Contact: Jeremy Liu  
 Address: 310 8th Street, Suite 200  
 Oakland, CA 94607  
 Phone: (510) 287-5353 Fax: (510) 763-4143  
 Email: jliu@ebaldc.org

General partner(s) or principal owner(s): EBALDC California Hotel LLC  
 General Partner Type: Nonprofit  
 Developer: East Bay Asian Local Development Corporation  
 Investor/Consultant: Community Economics  
 Management Agent: East Bay Asian Local Development Corporation

**Project Information**

Construction Type: Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 137  
 No. & % of Tax Credit Units: 135 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / HOPWA / HUD Project-based Section 8 (135 units - 100%)  
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.33%  
 Affordability Breakdown by % (Lowest Income Points):  
     30% AMI: 40 %  
     50% AMI: 40 %

**Information**

Set-Aside: N/A  
 Housing Type: Single Room Occupancy  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

120 SRO/Studio Units  
 12 1-Bedroom Units  
 5 2-Bedroom Units  


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 137 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 SRO/Studio	30%	19%	\$300
71 SRO/Studio	50%	19%	\$300
5 1 Bedroom	30%	18%	\$300
7 1 Bedroom	50%	18%	\$300
2 2 Bedrooms	30%	15%	\$300
2 2 Bedrooms	50%	15%	\$300
34 SRO/Studio	20%	19%	\$300
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$38,498,679  
 Estimated Residential Project Cost: \$36,388,507  
 Estimated Commercial Project Cost \$2,110,171

**Residential**

Construction Cost Per Square Foot: \$328  
 Per Unit Cost: \$265,610

**Construction Financing**

**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$15,900,000	Citibank Section 8	\$300,000
City of Oakland - HOME	\$3,168,000	City of Oakland - HOME	\$3,168,000
City of Oakland - RDA	\$5,253,000	City of Oakland - RDA	\$5,253,000
City of Oakland (existing loans)	\$5,639,862	City of Oakland (existing loans)	\$5,639,862
HCD SUHRP (existing loan)	\$2,525,703	HCD SUHRP (existing loan)	\$2,525,703
County of Alameda - HOPWA (existing loan)	\$134,435	County of Alameda - HOPWA (existing)	\$134,435
CalHFA MHSA	\$2,000,000	CalHFA MHSA	\$2,000,000
City of Oakland	\$300,000	City of Oakland	\$300,000
Deferred Costs	\$2,527,679	GP Equity	\$10,496
Deferred Developer Fee	\$250,000	PV Equity	\$36,065
Tax Credit Equity	\$800,000	Historic Tax Credit Equity	\$4,529,497
		Tax Credit Equity	\$14,601,620
		<b>TOTAL</b>	<b>\$38,498,679</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$14,325,001
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,622,501
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,676,025
Approved Developer Fee in Project Cost:	\$1,443,722
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.87121

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:	\$14,325,001
Actual Eligible Basis:	\$20,571,752
Unadjusted Threshold Basis Limit:	\$27,048,148
Total Adjusted Threshold Basis Limit:	\$32,457,778

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

**Tie-Breaker Information**

First:	<b>Single Room Occupancy</b>
Second:	<b>82.944%</b>

**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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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 an existing affordable housing site with a troubled history. The applicant has made arrangements with the public lenders for transfer of the property, and the public lenders have provided site control documentation.

The project's initial cash flow will fund an operating reserve that is intended to cover deficits projected between income and expenses in later years. The operating reserve account will be monitored by the City of Oakland. The applicant has committed to meeting TCAC cash flow limitations (Reg. Section 10327(g)(6)). The project budget also includes a capitalized reserve for MHSA tenant services.

The existing 150 units will be reconfigured to 137 units. The reduction in units is the result of reconfiguring some units: 1) to provide more common space on each floor; and 2) to provide housing options for tenants with disabilities and those with special needs that have families. A waiver has been granted for the minimum construction standard of floor coverings (Section 10325(f)(7)(I)). The applicant has requested and been granted a substitution of natural rubber flooring as a floor covering. TCAC staff was unable to determine the exact number of proposed washers and dryers. Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 15 units upon completion of the project prior to the issuance of federal and state tax forms.

**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, City of Oakland Community and Economic Development Agency, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,676,025</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 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.

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

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	0
Within 500 ft of regular bus stop (or dial-a-ride service for rural set-aside)	4	0	4
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	0
Within 1 mile of medical clinic or hospital	2	2	2
In-unit high speed internet service	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>REHABILITATION</b>			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Historic Preservation	1	1	1
Qualified Census Tract	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**