

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2010 Third Round**

**December 15, 2010**

**Project Number** CA-2010-854

**Project Name** Red Star  
Site Address: 1396 5th Street  
Oakland, CA 94607 County: Alameda  
Census Tract: 4019.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$525,590	\$2,009,572
Recommended:	\$525,590	\$2,009,572

**Applicant Information**

Applicant: Oakland Housing Investors, L.P.  
Contact: Darren Berberian  
Address: 4299 MacArthur Blvd., Suite 215  
Newport Beach, CA 92660  
Phone: (949) 851-6993 Fax: (949) 266-8821  
Email: darrenberberian@yahoo.com

General partner(s) or principal owner(s): Oakland - Red Star, LLC  
LINC Housing Corporation  
General Partner Type: Joint Venture  
Developer: National Affordable Communities, Inc.  
Investor/Consultant: Prestige Affordable Housing Equity  
Management Agent: Interstate Reality Management Co.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 119  
No. & % of Tax Credit Units: 118 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax Exempt  
Affordability Breakdown by % (Lowest Income Points):  
40% AMI: 15 %  
50% AMI: 40 %

**Bond Information**

Issuer: CSCDA  
Expected Date of Issuance: March 1, 2011  
Credit Enhancement: N/A

**Information**

Set-Aside: N/A  
 Housing Type: Seniors  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

103 1-Bedroom Units  
16 2-Bedroom Units  
 119 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>
18 1 Bedroom	40%	40%	\$677
54 1 Bedroom	50%	50%	\$846
31 1 Bedroom	60%	60%	\$1,015
15 2 Bedrooms	60%	60%	\$1,219
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$21,572,604      Construction Cost Per Square Foot: \$99  
 Estimated Commercial Project Cost: \$422,100      Per Unit Cost: \$181,282

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$11,589,126	Citibank, N.A.	\$9,200,000
Continental Mortgage - Commerical Loan	\$422,100	Continental Mortgage - Comm. Loan	\$422,100
Seller Note	\$1,000,000	Seller Note	\$1,000,000
MGP Equity - CalReUse	\$1,028,500	MGP Equity - CalReuse	\$1,028,500
MGP Equity - HCD Infrastructure/Infill	\$1,500,000	MGP Equity - HCD Infrastructure/Infil	\$1,500,000
FHLB - AHP	\$1,180,000	FHLB - AHP	\$1,180,000
Deferred Developer Fee	\$2,000,000	Deferred Developer Fee	\$1,568,831
Tax Credit Equity	\$2,852,878	Tax Credit Equity	\$5,673,173
		<b>TOTAL</b>	<b>\$21,572,604</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,458,544
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$15,458,544
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$525,590
Total State Credit:	\$2,009,572
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Prestige Affordable Housing Equity
Federal Tax Credit Factor:	\$0.85000
State Tax Credit Factor:	\$0.59996

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:	\$15,458,544
Actual Eligible Basis:	\$15,762,668
Unadjusted Threshold Basis Limit:	\$31,957,203
Total Adjusted Threshold Basis Limit:	\$51,451,097

**Adjustments to Basis Limit:**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% & 36% AMI: 61%

**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 meet 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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation. 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.

**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 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$525,590</b>	<b>\$2,009,572</b>

**Standard Conditions**

The applicant must submit all documentation for any 180-day Readiness 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 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>6</b>
General Partner Experience	6	6	6
Management Experience	3	3	0
<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	7
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 ½ mile of medical clinic or hospital	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
<b>Sustainable Building Methods</b>	<b>8</b>	<b>8</b>	<b>8</b>
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
CRI Green-label, low-VOC carpet and pad	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Formaldehyde-free insulation	1	1	1
Recycled materials incorp. into concrete, carpet, road base, landscape	1	1	1
Project has nonsmoking buildings or contiguous sections w/i a building	1	1	1
<b>Lowest Income</b>	<b>52</b>	<b>32.5</b>	<b>32.5</b>
Basic Targeting	50	32.5	32.5
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Total Points</b>	<b>124</b>	<b>104.5</b>	<b>101.5</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.**