

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: Housing Authority of the City of Oakland

Allocation Amount Requested:
Tax-exempt: \$17,310,508

Project Information:
Name: Keller Plaza Apartments
Project Address: 5321 Telegraph Avenue
Project City, County, Zip Code: Oakland, Alameda, 94609

Project Sponsor Information:
Name: Keller Housing Initiatives, Inc.
Principals: Ted Dan, Olga DeLenardis and Bernard Deasey
Property Management Company: Christian Church Homes

Project Financing Information:
Bond Counsel: Ballard Spahr Andres & Ingersoll, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: October 19, 2010

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 199, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Keller Plaza is a 201 unit family project that is in need of substantial rehabilitation. Many of the buildings systems are original to the 1973 construction and in need of replacement. This existing project is on a 3.29 acre flat lot, comprised of six residential building and community building. The project is located in the Temescal district of Oakland. This area is diverse in both land use and culture with convenient access to a public bus line, several small scale restaurants and retail outlets, and a large drug store. The residential buildings sit on a podium above subterranean parking garages and the community building is a slab grade. All buildings are wood frame construction with primarily stucco exteriors. Two open court yards provides a space for a children's play-area and a community garden. There is also a community room with a kitchen and computer lab that is centrally located on the site.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 84%
73% (145 units) restricted to 50% or less of area median income households.
11% (22 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The project sponsor has committed to providing educational classes and a bona fide service coordinator/social worker available for a period of 10 years at no cost to the residents.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 32,164,895
Estimated Hard Costs per Unit: \$ 86,631 (\$17,239,508 /199 units)
Estimated per Unit Cost: \$ 161,633 (\$32,164,895 /199 units)
Allocation per Unit: \$ 86,987 (\$17,310,508 /199 units)
Allocation per Restricted Rental Unit: \$ 103,655 (\$17,310,508 /167 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,310,508	\$ 9,465,000
LIH Tax Credit Equity	\$ 1,134,640	\$ 7,564,269
Direct & Indirect Public Funds	\$ 5,588,453	\$ 10,718,079
(existing reserves/accrued interest on soft financing)	\$ 4,117,546	\$ 4,417,546
Total Sources	\$ 28,151,147	\$ 32,164,894

Uses of Funds:	
Acquisition Cost	\$ 3,979,350
On & Off Site Costs	\$ 949,070
Hard Construction Costs	\$ 19,290,438
Architect & Engineering Fees	\$ 770,000
Contractor Overhead & Profit	\$ 1,804,968
Developer Fee	\$ 2,245,279
Relocation	\$ 1,305,000
Cost of Issuance	\$ 553,499
Capitalized Interest	\$ 641,969
Other Soft Costs (Marketing, etc.)	\$ 3,625,321
Total Uses	\$ 35,164,894

Description of Financial Structure and Bond Issuance:

The project will structure the tax-exempt bonds as a "loan to lender" structure and similar to a private placement. In this case, Citibank will provide a tax-exempt loan to the Oakland Housing Authority, this loan is the funding loan. The Oakland Housing Authority will make the loan to the project owner, Keller Housing Associates. The construction period Funding Loan will carry a floating rate during construction, based on 3.0% over SIFMA. The permanent period loan will have a term of 18 years and an amortization of 35 years. The interest rate will be dependent upon market conditions at the time of closing the loan, based on Thompson Municipal Market Monitor (MMD) plus a spread of 3.0%.

Analyst Comments:

The project originally came into CDLAC requesting a forward commitment. However, since the original application was submitted the HUD Field Office has informed the project sponsor that they could not process the firm commitment within the timeline required by HUD Headquarters administered Green Retrofit Program loan, due to delays caused by our MAP lender. The project has replaced the FHA structure with a Citibank Loan to privately place the tax-exempt bond allocation.

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.

Total Points: 65 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$17,310,508 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	0
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	65

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.