

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**January 18, 2012**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Sarah Lester*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$13,825,000

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**Project Information:**  
**Name:** Oak Center Homes Apartments  
**Project Address:** 850 18th Street  
**Project City, County, Zip Code:** Oakland, Alameda, 94607

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**Project Sponsor Information:**  
**Name:** Oak Center Homes Partners, LP (H A Oak Center, LLC and Oak Center Homes, Inc.)  
**Principals:** Chris Foster, Jeff Jallo, Greg Gossard, William Hutton and Alfred Reynolds for H A Oak Center, LLC; and Janice Starks, Barbara Stewart, Lola Young and Ursula Abrams for Oak Center Homes, Inc.  
**Property Management Company:** Alton Management Corporation

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** December 6, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 89, plus 0 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing complex comprised of 89 total units among 41 buildings on 27 parcels within 1/2 mile of each other. The majority of the buildings consist of one to two units, are two-three stories, and of Victorian structure. Collectively, the sites are approximately 5.68 acres in total. There is a central management office that also has a community room, common kitchen area, and outdoor gathering space. The project has an existing HUD-subsidized project-based Section 8 on annual renewals, however, is currently not considered at-risk. The unit mix includes one, two, three, four and five bedroom units thus serving larger families. The rehabilitation work is expected to begin immediately following closing - in April possibly early May with completion scheduled by December 2013.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (9 units) restricted to 50% or less of area median income households.  
90% (80 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3, 4 and 5 bedrooms

There will be no service amenities included in the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 22,887,767	
<b>Estimated Hard Costs per Unit:</b>	\$ 79,335	(\$7,060,783 /89 units)
<b>Estimated per Unit Cost:</b>	\$ 257,166	(\$22,887,767 /89 units)
<b>Allocation per Unit:</b>	\$ 155,337	(\$13,825,000 /89 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 155,337	(\$13,825,000 /89 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 13,825,000	\$ 10,500,456
Seller Carryback Loan	\$ 3,000,000	\$ 3,000,000
Developer Equity	\$ 876,651	\$ 876,651
LIH Tax Credit Equity	\$ 3,662,142	\$ 6,880,448
Other (Reserves, Income during constr.)	\$ 1,523,974	\$ 1,630,212
Total Sources	<u>\$ 22,887,767</u>	<u>\$ 22,887,767</u>

<b>Uses of Funds:</b>	
Acquisition Cost	\$ 7,500,000
Hard Construction Costs	\$ 7,060,783
Architect & Engineering Fees	\$ 903,721
Contractor Overhead & Profit	\$ 564,863
Developer Fee	\$ 2,500,000
Relocation	\$ 222,500
Cost of Issuance	\$ 510,595
Capitalized Interest	\$ 889,050
Other Soft Costs (Reserves, Due Diligence, Legal and Contingency, etc.)	<u>\$ 2,736,255</u>
Total Uses	<u>\$ 22,887,767</u>

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**Description of Financial Structure and Bond Issuance:**

The financial structure of the proposed project will be a private placement bond transaction to be provided by Citibank, N.A. The bonds will be issued by the California Statewide Communities Development Authority. The proceeds from the issuance of \$13,825,000 in tax-exempt bonds will serve as both the permanent and construction loans. A portion of the bonds totaling approximately \$3,324,544 will be structured as short-term bonds to be repaid by tax credit equity at stabilization. The construction term will be 24 months to completion. During construction the loan will be variable and based off of SIFMA plus 300 bps. The lender requires an additional 1.5% cushion for underwriting purposes. The remaining \$10,500,456 will be converted to permanent non-recourse debt upon stabilization. The permanent loan will be amortized over 35 years from conversion and carry a fixed rate.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 67.9 out of 118

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$13,825,000 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	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	7.4
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>67.9</b>

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.