

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:

Tax-exempt: \$29,260,000

Project Information:

Name: Oak Center I Apartments
Project Address: 1601 Market Street
Project City, County, Zip Code: Oakland, Alameda, 94607

Project Sponsor Information:

Name: Oak Center Community Partners, LP (FFAH Oak Center, LLC and Oak Center GP, LLC)
Principals: Thomas E. Willard for Oak Center Community Partners, LP; and Anand Kannan, Matthew Finkle and Wilfred N. Cooper for Oak Center GP, LLC
Property Management Company: Related Management Company, LP

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: November 16, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 76, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing property. The Project consists entirely of one site that is partially built of a podium garage. There are stories above the podium garage and three stories on the other side of the community. The units are mixed between garden style and townhome style units. Of the 77 apartment units, 33 are one-bedroom units, 20 are two-bedroom units, 5 are three bedroom units, 6 are three-bedroom townhome style units, 1 is a three-bedroom style manager's unit that is also a town home style, 4 are four-bedroom units and 8 are four-bedroom townhome style units. All of the subject's units are covered under an existing HAP contract and a restricted use agreement. A transfer of the property is planned and all of the units will continue to be LIHTC-restricted to family households with income levels at or below 60 percent AMI levels. The three-bedroom unit will remain a manager's unit and the property will continue to benefit from the Section 8 subsidy. The rehabilitation program will address health and safety issues, ADA, deferred maintenance, and energy efficiency when possible. Currently, the Developer is planning on replacing all countertops and cabinetry in units, replacing the windows, painting the kitchen and baths, addressing parking lot deferred maintenance, and replacing and upgrading building systems as necessary. The renovation of the Project will positively impact the neighborhood and the availability of affordable family housing in Oakland. The neighborhood is well suited for this type of housing. Construction is scheduled to start in February 2016 and be completed by August 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

86% (65 units) restricted to 50% or less of area median income households.

14% (11 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 38,213,956	
Estimated Hard Costs per Unit:	\$ 51,056	(\$3,880,243 /76 units)
Estimated per Unit Cost:	\$ 502,815	(\$38,213,956 /76 units)
Allocation per Unit:	\$ 385,000	(\$29,260,000 /76 units)
Allocation per Restricted Rental Unit:	\$ 385,000	(\$29,260,000 /76 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to 1) Acquisition costs; 2) Relocation costs; 3) ADA Improvements/upgrades; 4) Operating and Transition Reserves (to cover losses should the Section 8 subsidy not receive an annual renewal); and 5) Installation of Secured Access Systems.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 29,260,000	\$ 24,150,000
Developer Equity	\$ 2,500,000	\$ 615,120
LIH Tax Credit Equity	\$ 4,770,388	\$ 11,765,268
Other (Capitalized Interest)	\$ 1,683,568	\$ 1,683,568
Total Sources	\$ 38,213,956	\$ 38,213,956
Uses of Funds:		
Acquisition/Land Purchase	\$ 22,000,000	
Hard Construction Costs	\$ 388,243	
Architect & Engineering Fees	\$ 150,000	
Contractor Overhead & Profit	\$ 543,235	
Developer Fee	\$ 2,500,000	
Legal Fees	\$ 150,000	
Relocation	\$ 385,000	
Initial Deposits to Reserves	\$ 4,670,726	
Cost of Issuance	\$ 1,134,780	
Capitalized Interest	\$ 1,735,568	
Other Soft Costs (Marketing, etc.)	\$ 4,562,404	
Total Uses	\$ 38,219,956	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, NA (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 24 months with a possible 6 month extension option. The interest rate will be a fixed rate estimated at 3.00%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years with one six month option to extend. The interest rate will be a fixed rate estimated at 4.65%. An acceptable HAP contract is required by the Bank prior to closing. The bonds will be issued by the California Housing Finance Agency.

Analyst Comments:

None.

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 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$29,260,000 in tax exempt bond allocation on a carryforward basis.

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]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	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.