CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2018

Oak Grove North & South, located at 620 17th Street and 570 16th Street in Oakland, requested and is being recommended for a reservation of $4,138,704 in annual federal tax credits to finance the acquisition and rehabilitation of 149 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Oakland Affordable Housing Preservation Initiatives and is located in Senate District 9 and Assembly District 18.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-650

Project Name Oak Grove North & South
Site Address: 620 17th Street & 570 16th Street
Oakland, CA 94612 County: Alameda
Census Tract: 4028.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,138,704	$0
Recommended:	$4,138,704	$0

Applicant Information
Applicant: Oak Groves Senior Housing, LP
Contact: Eric Johnson
Address: 1619 Harrison Street
Oakland, CA 94612
Phone: (510) 874-1510
Email: ejohnson@oakha.org

General Partner(s) or Principal Owner(s): RHI Oak Groves GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Housing Authority of the City of Oakland
Developer: Oakland Affordable Housing Preservation Initiatives
Investor/Consultant: California Housing Partnership Corporation
Management Agent: John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	152
No. / % of Low Income Units:	149 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (149 Units - 100%)

Bond Information

Issuer:	California Municipal Finance Agency
Expected Date of Issuance:	December 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	East Bay Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 35% AMI:	37	25%
At or Below 50% AMI:	52	35%
At or Below 60% AMI:	60	40%

Unit Mix

134 1-Bedroom Units
18 2-Bedroom Units
152 Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
35	1 Bedroom	30%	27%	$587
47	1 Bedroom	50%	45%	$978
52	1 Bedroom	60%	54%	$1,174
2	2 Bedrooms	30%	27%	$704
5	2 Bedrooms	50%	45%	$1,173
8	2 Bedrooms	60%	54%	$1,408
3	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $106,116,780

Project Cost Summary at Application	
Land and Acquisition	$50,000,000
Construction Costs	$0
Rehabilitation Costs	$35,936,029
Construction Contingency	$3,593,603
Relocation	$2,600,000
Architectural/Engineering	$2,464,816
Const. Interest, Perm. Financing	$6,404,650
Legal Fees, Appraisals	$127,500
Reserves	$826,185
Other Costs	$4,361,455
Developer Fee	$14,654,118
Commercial Costs	$0
Total	**$120,968,356**

Residential	
Construction Cost Per Square Foot:	$342
Per Unit Cost:	$795,844
True Cash Per Unit Cost*:	$526,932

Construction Financing

Source	Amount
Citibank	$64,335,000
Seller Carryback	$35,710,530
Deferred Interest	$2,392,000
Deferred Costs	$2,951,184
Deferred Developer Fee	$5,164,118
General Partner Equity	$6,500,000
Tax Credit Equity	$3,915,524

Permanent Financing

Source	Amount
Citibank - Tranche A	$3,485,000
Citibank - Tranche B	$13,012,000
Seller Carryback	$35,710,530
Deferred Interest	$2,392,000
Sponsor Loan	$14,289,470
Deferred Developer Fee	$5,164,118
General Partner Equity	$6,500,000
Tax Credit Equity	$40,415,238
TOTAL	**$120,968,356**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$53,354,264
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$57,205,313
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$69,360,543
Qualified Basis (Acquisition):	$57,205,313
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$2,268,090
Maximum Annual Federal Credit, Acquisition:	$1,870,614
Total Maximum Annual Federal Credit:	$4,138,704
Approved Developer Fee (in Project Cost & Eligible Basis):	$14,654,118
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.97652

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$110,559,577
Actual Eligible Basis:	$112,348,240
Unadjusted Threshold Basis Limit:	$52,150,744
Total Adjusted Threshold Basis Limit:	$110,559,577

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 34%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 48%

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 3.27% of the qualified basis. 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.

Significant Information / Additional Conditions:

Development costs are roughly $526,932 per unit. The factors affecting this cost include high real estate costs for the area, prevailing wages, and extensive rehabilitation to residential units.

This project involves the rehabilitation of 2 scattered-sites originally constructed in 1982 in the City of Oakland.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency

The Local Reviewing Agency, City of Oakland, has completed a site review of the project and strongly supports this project.

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

CDLAC Additional Conditions: None