

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 First Round Cycle
June 20, 2008

Project Number CA-2008-031

Project Name Red Star
Site Address: 1396 5th Street
Oakland, CA 94607 County: Alameda
Census Tract: 4019

Applicant Information

Applicant: Oakland Housing Investors, L.P., a California Limited Partnership
Contact: Darren Berberian
Address: 4299 MacArthur Boulevard, Suite 215
Newport Beach, CA 92660
Phone: (949) 851-6993 Fax: (949) 851-8062
Email: N/A

General Partners(s) Type: Joint Venture

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: East Bay

Eligible Basis

Requested: \$18,913,961
Actual: \$21,858,972
Maximum Permitted: \$28,883,822

Adjustments to Threshold Basis Limit:

Parking Beneath Residential Units Local Impact Fees
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
95% of Upper Floor Units are Elevator-Serviced

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,000,000	\$0
Recommended:	\$2,000,000	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: N/A
Total # of Units: 119
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 118 units
Breakdown by %: 10% @ 30%, 10% @ 40%, 50% @ 50%

Selection Criteria	Max. Possible Points	Req. Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds (Maximum of 20 points)</i>	20	20	20
<input checked="" type="checkbox"/> Cost Efficiency	18	18	18
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<i>Owner / Management Characteristics (Maximum of 9 points)</i>	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<i>Housing Needs (Maximum of 10 points)</i>	10	10	10
<i>Site Amenities (Maximum of 15 points)</i>	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<i>Service Amenities (Maximum of 10 points)</i>	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<i>Neighborhood Revitalization (Maximum of 9 points)</i>	9	9	9
<i>Sustainable Building Methods (Maximum of 8 points)</i>	8	8	8
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<i>Lowest Income (Maximum of 52 points)</i>	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed (Maximum of 20 points)</i>	20	20	20
<i>State credit substitution (Maximum of 2 points)</i>	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Senior**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **88.316%**

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
10 One-Bedroom Units	30%	\$484
10 One-Bedroom Units	40%	\$646
52 One-Bedroom Units	50%	\$807
31 One-Bedroom Units	60%	\$969
2 Two-Bedroom Units	30%	\$581
2 Two-Bedroom Units	40%	\$775
8 Two-Bedroom Units	50%	\$968
3 Two-Bedroom Units	60%	\$1,162
1 Two-Bedroom Unit	Manager's Unit	\$0

The general partners or principal owners are National Affordable Communities, Inc. & LINC Housing Corporation.

The project developer is National Affordable Communities, Inc.

The management agent is Buckingham Property Management.

The market analyst is Prior & Associates.

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

Project Financing

Estimated Total Project Cost: \$28,035,272 Per Unit Cost: \$227,927 Construction Cost Per Sq. Foot: \$260
 Total Residential Cost: \$27,123,311
 Total Commercial Cost: \$911,961

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
SunAmerica	\$15,735,272	SunAmerica	\$7,334,788
Seller Note	\$1,000,000	Seller Note	\$1,000,000
Deferred Developer Fee	\$2,000,000	AHP	\$500,000
Investor Equity	\$9,300,000	Deferred Developer Fee	\$600,484
		Investor Equity	\$18,600,000
		TOTAL	\$28,035,272

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,913,961
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$491,763
Qualified Basis:	\$24,096,386
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$2,000,000
Approved Developer Fee in Project Cost (<i>Residential</i>):	\$1,934,638
Approved Developer Fee in Project Cost (<i>Commercial</i>):	\$65,362
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor: <i>SunAmerica</i>	\$0.9300

Applicant requests and staff recommends annual federal credits of \$2,000,000, based on a qualified basis of \$24,096,386 and a funding shortfall of \$18,600,000.

Cost Analysis and Line Item Review

The requested eligible basis \$18,913,961 is below TCAC's threshold basis limit \$28,883,822. The basis limit was increased by the following extraordinary features: projects where 95% of upper floor units are elevator-serviced, projects that are required to provide parking beneath the residential units, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, recycling at least 75% of the construction and demolition waste (measured by either weight or volume), installing bamboo, stained concrete, cork, salvaged or

FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas, and CRI Green Label Plus Carpet or no carpet in all bedrooms. Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitations with the exception of the 3-month operating expense total as explained in the Special Issues section of this report below.

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 8.30% 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.

Special Issues/Other Significant Information: The applicant's estimate of the 3-month operating reserve (residential) amount in the development budget does not equal 3 months of the annual debt service and annual operating expense (less service amenity budget, replacement reserve and real estate taxes). Please note that the 3-month operating reserve amount must equal 3 months of the annual debt service and annual operating expense (less service amenity budget, replacement reserve and real estate taxes) at final review, prior to the issuance of the IRS 8609 forms.

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.

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:

Federal/Annual	State/Total
\$2,000,000	\$0

Standard Conditions

An application for a carryover allocation must be submitted by October 31, 2008, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation fee calculated in accordance with regulation. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

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)(8) 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)(P) at project completion.

Additional Conditions:

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is November 17, 2008, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Anthony Zeto