CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 5, 2008

Project Number CA-2008-937

Project Name Tassafaronga Village Phase II
Address: 1001 83rd Avenue
Oakland, CA 94621 County: Alameda

Applicant Information
Applicant: Housing Authority of the City of Oakland, California
Contact Jon Gresley
Address: 1619 Harrison Street
Oakland, CA 94612
Phone: (510) 874-1510 Fax: (510) 587-2145
Email: jgresley@oakha.org
Sponsors Type: Nonprofit

Information
Housing Type: Special Needs

Bond Information
Issuer: Oakland Housing Authority
Expected Date of Issuance: December, 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $7,638,035
Requested: $7,638,035
Maximum Permitted: $17,165,973

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
100% of the Units are for Special Needs Populations: 2%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 200%

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$337,601	$0
Recommended:	$337,601	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 20
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 19 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 60% of area median income: 19

2008 Rents

Unit Type & Number	% of Area Median Income	Proposed Rent (including utilities)
7 One-Bedroom	30%	$452
12 Two-Bedroom	30%	$581
1 Two-Bedroom	Manager's Unit	$942

The general partner or principal owner is Tassafaronga Housing Corporation

The project developer is Oakland Housing Authority

The management services will be provided by The John Stewart Company

The market analysis was provided by Bay Area Economics

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

Project Financing
Estimated Total Project Cost: $8,221,119 Per Unit Cost: $411,056 Construction Cost Per Sq. Foot: $332

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank Private Activity Bond Loan	$4,674,074	Citibank Private Activity Bond	$711,994
CalHFA - HELP Loan	$500,000	MHP	$2,725,055
Oakland Housing Authority	$1,418,316	CalHFA - HELP Loan	$500,000
Investor Equity	$1,267,545	Oakland Housing Authority	$1,412,056
		Investor Equity	$2,872,014
		TOTAL	**$8,221,119**

Determination of Credit Amount(s)

Requested Eligible Basis:	$7,638,035
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$9,929,445
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$337,601
Approved Developer Fee:	$931,541
Tax Credit Factor: National Equity Fund	$.851

Applicant requests and staff recommends annual federal credits of $337,601 based on a qualified basis of $9,929,445 and a funding shortfall of $2,872,014.

Cost Analysis and Line Item Review
The requested eligible basis $7,638,035 is below TCAC's adjusted threshold basis limit $17,165,973. The basis limit includes the adjustment for extraordinary features requirement to pay state or federal prevailing wages, 100% of the units are for special needs populations, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below, the use of 3 or more energy efficiency/resource conservation/indoor air quality items which include the following: exceeding Title 24 by at least 15%, CRI Green Label Plus Carpet or no carpet in all bedrooms, vent kitchen range hoods to the exterior of the building in at least 80% of the units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: The debt service ratio requirement is 1.10 to 1 for the first four years. Year one is 1.08 and year two is 1.09. However this is a Special Needs project without conventional debt which we allow to fall below our 1.10 minimum. Also, the three month operating reserve required is $54,594. The project has a reserve of $54,233 for a shortfall of $360.

Recommendation: Staff recommends that the Committee make a 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
$337,601	**$0**

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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

Additional Conditions: The applicant/owner is required to provide the tenants with high-speed internet and contracts for services for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: David Navarrette