

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2011

Project Number CA-2011-871

Project Name Drasnin Manor Apartments
Site Address: 2530 International Boulevard
Oakland, CA 94601 County: Alameda
Census Tract: 4062.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$274,641	\$0
Recommended:	\$274,641	\$0

Applicant Information

Applicant: Drasnin Manor, L.P.
Contact: Everett Cleveland Jr.
Address: 310 8th Street, Suite 200
Oakland, CA 94607
Phone: 510.287.5353 Fax: 510.763.4143
Email: ecleland@ebaldc.org

General partner(s) or principal owner(s): Drasnin Manor LLC
General Partner Type: Nonprofit
Developer: East Bay Asian Local Development Corporation
Investor/Consultant: Community Economics, Inc.
Management Agent: East Bay Asian Local Development Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 3
Total # of Units: 26
No. & % of Tax Credit Units: 25 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / NSP / HUD Project-based Section 8 (25 units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 25

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: September 2011
Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Gina Ferguson

Unit Mix

3 1-Bedroom Units
 9 2-Bedroom Units
 14 3-Bedroom Units

 26 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	50%	35%	\$593
2 1 Bedroom	50%	45%	\$763
3 2 Bedrooms	50%	30%	\$609
5 2 Bedrooms	50%	49%	\$1,002
4 3 Bedrooms	50%	30%	\$704
10 3 Bedrooms	50%	50%	\$1,174
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$8,297,061
 Estimated Residential Project Cost: \$7,946,386
 Estimated Commercial Project Cost \$350,675

Residential

Construction Cost Per Square Foot: \$125
 Per Unit Cost: \$305,630

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$4,300,000	Citibank - Tax Exempt Bonds	\$1,807,800
City of Oakland - NSP	\$1,159,031	City of Oakland - NSP	\$1,159,031
Oakland Redevelopment Agency (new)	\$900,000	Oakland Redevelopment Agency (new)	\$1,800,000
Oakland Redevelopment Agency (existing)	\$221,875	Oakland Redevelopment Agency (existing)	\$230,397
HCD - RHCP (existing)	\$452,279	HCD - RHCP (existing)	\$469,650
NCCLF Grant (general partner equity)	\$50,000	AHP	\$250,000
Tax Credit Equity	\$400,000	Deferred Developer Fee	\$249,800
		NCCLF Grant (general partner equity)	\$50,000
		Tax Credit Equity	\$2,280,383
		TOTAL	\$8,297,061

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,832,936
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$494,871
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,582,817
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$494,871
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$257,816
Maximum Annual Federal Credit, Acquisition:	\$16,825
Total Maximum Annual Federal Credit:	\$274,641
Approved Developer Fee (in Project Cost & Eligible Basis):	\$825,366
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.83031

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$6,327,807
Actual Eligible Basis:	\$6,327,807
Unadjusted Threshold Basis Limit:	\$9,269,087
Total Adjusted Threshold Basis Limit:	\$18,538,174

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.40% 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 contractor’s profit, overhead and general requirement costs exceed the limits established by regulation. At final review prior to the issuance of the IRS 8609 tax forms, any costs and basis in excess of the limit will not be allowed.

Local Reviewing Agency:

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

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 Tax Credits/Annual	State Tax Credits/Total
\$274,641	\$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 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 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 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.

Additional Conditions: The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

- 1) Commitment to develop the project under the GreenPoint Rated Multifamily Guidelines;
- 2) Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less);
- 3) Material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six sides by laminates and/or a low-VOC primer or sealant (150 grams per liter or less); and
- 4) Bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer