

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**February 1, 2012**

**Project Number** CA-2012-803

**Project Name** Oak Center Homes  
Site Address: 850 18th Street (scattered site: 41 buildings, 27 parcels)  
Oakland, CA 94607 County: Alameda  
Census Tracts: 4024, 4027

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$727,146	\$0
Recommended:	\$727,146	\$0

**Applicant Information**

Applicant: Oak Center Homes Partners, L.P.  
Contact: Jefferson Jallo  
Address: 3413 30th Street  
San Diego, CA 92104  
Phone: 619-543-4210 Fax: 619-543-4220  
Email: jeff@hampstead.com

General partner(s) or principal owner(s): HA Oak Center Homes, LLC  
Alton Management Company  
General Partner Type: For Profit  
Developer: The Hampstead Group  
Investor/Consultant: Boston Financial Investment Management  
Management Agent: Alton Management Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 41  
Total # of Units: 89  
No. & % of Tax Credit Units: 88 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 (88 units - 100%)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 9  
Number of Units @ or below 60% of area median income: 79

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: May 2012  
 Credit Enhancement: None

**Information**

Housing Type: Non-Targeted  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

11 1-Bedroom Units  
 38 2-Bedroom Units  
 33 3-Bedroom Units  
 6 4-Bedroom Units  
 1 5-Bedroom Units  


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 89 Total Units

<u>Unit Type &amp; Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	50%	50%	\$866
9 1 Bedroom	60%	60%	\$1,039
4 2 Bedrooms	50%	50%	\$1,038
34 2 Bedrooms	60%	60%	\$1,246
3 3 Bedrooms	50%	50%	\$1,200
30 3 Bedrooms	60%	60%	\$1,440
1 4 Bedrooms	50%	50%	\$1,338
5 4 Bedrooms	60%	60%	\$1,606
1 5 Bedrooms	60%	60%	\$1,772
1 1 Bedroom	Manager's Unit	Manager's Unit	\$970

**Project Financing**

Estimated Total Project Cost: \$22,844,091

**Residential**

Construction Cost Per Square Foot: \$93  
 Per Unit Cost: \$256,675

**Construction Financing**

**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$13,825,000	Citi Community Capital	\$10,500,456
Seller Note	\$3,000,000	Seller Note	\$3,000,000
Existing Reserves	\$230,000	Existing Reserves	\$230,000
Income During Construction	\$1,293,975	Income During Construction	\$1,293,975
Deferred Developer Fee	\$847,968	Deferred Developer Fee	\$586,669
Tax Credit Equity	\$3,662,142	Energy Credity Equity	\$106,238
		Tax Credit Equity	\$7,126,753
		<b>TOTAL</b>	<b>\$22,844,091</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$12,415,709
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,582,888
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$16,140,422
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$6,582,888
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$516,494
Maximum Annual Federal Credit, Acquisition:	\$210,652
Total Maximum Annual Federal Credit:	\$727,146
Approved Developer Fee in Project Cost:	\$2,485,007
Approved Developer Fee in Eligible Basis:	\$2,485,007
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.98010

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:	\$18,998,597
Actual Eligible Basis:	\$18,998,597
Unadjusted Threshold Basis Limit:	\$31,312,284
Total Adjusted Threshold Basis Limit:	\$34,443,512

**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: 10%

**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 3.20% 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:** None

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Oakland, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$727,146</b>	<b>\$0</b>

**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.

- The Project will incorporate the following energy efficient items:
  - \* Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less)
  - \* At least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit
  - \* Interior paint with no volatile organic compounds, (5 grams per liter or less)