**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**December 16, 2015**

Oak Center I Apartments, located at 1601 Market Street in Oakland, requested and is being recommended for a reservation of $1,125,863 in annual federal tax credits to finance the acquisition and rehabilitation of 76 units of housing serving tenants with rents affordable to households earning 45-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 9 and Assembly District 18.

Oak Center I Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Oak Center I Apartments (CA-99-121). See **Special Issues/Other Signficant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

**Project Number** CA-15-927

**Project Name** Oak Center I Apartments
Site Address: 1601 Market Street
Oakland, CA 94607 County: Alameda
Census Tract: 4025.000

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $1,125,863 | $0 |
| Recommended: | $1,125,863 | $0 |

**Applicant Information**

| | |
|---|---|
| Applicant: | Oak Center Community Partners, LP |
| Contact: | Anand Kannan |
| Address: | 17782 Sky Park Circle<br>Irvine, CA 92614 |
| Phone: | 949-236-8278 |
| Email: | akannan@wncinc.com |

| | |
|---|---|
| General Partner(s) or Principal Owner(s): | Oak Center GP, LLC<br>FFAH Oak Center, LLC |
| General Partner Type: | Joint Venture |
| Parent Company(ies): | WNC Development Partners, LLC<br>FFAH, Inc. |
| Developer: | Community Preservation Partners, LLC |
| Investor/Consultant: | WNC & Associates |
| Management Agent: | Related Management Company |

**Project Information**

| | |
|---|---|
| Construction Type: | Acquisition & Rehabilitation |
| Total # Residential Buildings: | 12 |
| Total # of Units: | 77 |
| No. & % of Tax Credit Units: | 76 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt / HUD Section 8 Project-based Contract (77 units - 100%) |
| HCD MHP Funding: | No |
| 55-Year Use/Affordability: | Yes |

Number of Units @ or below 50% of area median income: 65
Number of Units @ or below 60% of area median income: 11

**Bond Information**

| | |
|---|---|
| Issuer: | California Housing Finance Agency |
| Expected Date of Issuance: | January 1, 2016 |
| Credit Enhancement: | N/A |

**Information**

| | |
|---|---|
| Housing Type: | Non-Targeted |
| Geographic Area: | North and East Bay Region |
| TCAC Project Analyst: | Connie Harina |

**Unit Mix**

| | |
|---|---|
| 33 | 1-Bedroom Units |
| 20 | 2-Bedroom Units |
| 12 | 3-Bedroom Units |
| 12 | 4-Bedroom Units |
| 77 | Total Units |

| Unit Type & Number | | 2015 Rents Targeted % of Area Median Income | 2015 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 13 | 1 Bedroom | 45% | 45% | $784 |
| 8 | 2 Bedrooms | 45% | 45% | $941 |
| 3 | 3 Bedrooms | 45% | 45% | $1,087 |
| 1 | 3 Bedrooms | 45% | 45% | $1,087 |
| 2 | 4 Bedrooms | 45% | 45% | $1,212 |
| 3 | 4 Bedrooms | 45% | 45% | $1,212 |
| 16 | 1 Bedroom | 50% | 50% | $871 |
| 8 | 2 Bedrooms | 50% | 50% | $1,046 |
| 3 | 3 Bedrooms | 50% | 50% | $1,208 |
| 4 | 3 Bedrooms | 50% | 50% | $1,208 |
| 1 | 4 Bedrooms | 50% | 50% | $1,347 |
| 3 | 4 Bedrooms | 50% | 50% | $1,347 |
| 4 | 1 Bedroom | 60% | 60% | $1,046 |
| 4 | 2 Bedrooms | 60% | 60% | $1,255 |
| 1 | 4 Bedrooms | 60% | 60% | $1,617 |
| 2 | 4 Bedrooms | 60% | 60% | $1,617 |
| 1 | 3 Bedrooms | Manager’s Unit | Manager’s Unit | $3,100 |

| **Project Cost Summary at Application** | |
|---|---|
| Land and Acquisition | $22,000,000 |
| Construction Costs | $0 |
| Rehabilitation Costs | $4,483,195 |
| Construction Contingency | $442,348 |
| Relocation | $385,000 |
| Architectural/Engineering | $156,000 |
| Construction Interest, Perm Financing | $2,870,348 |
| Legal Fees, Appraisals | $162,500 |
| Reserves | $4,670,726 |
| Other Costs | $543,839 |
| Developer Fee | $2,500,000 |
| Commercial Costs | $0 |
| **Total** | **$38,213,956** |

| **Project Financing** | |
|---|---|
| Estimated Total Project Cost: | $38,213,956 |
| Estimated Residential Project Cost: | $38,213,956 |

| **Residential** | |
|---|---|
| Construction Cost Per Square Foot: | $80 |
| Per Unit Cost: | $496,285 |

**Construction Financing**

| Source | Amount |
|---|---|
| Citi Bank | $29,260,000 |
| Net Operating Income | $1,683,568 |
| Deferred Developer Fee | $2,500,000 |
| Tax Credit Equity | $4,770,388 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Citi Bank | $24,150,000 |
| Net Operating Income | $1,683,568 |
| Deferred Developer Fee | $615,120 |
| Tax Credit Equity | $11,765,268 |
| **TOTAL** | **$38,213,956** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis (Rehabilitation): | $8,630,946 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | $22,896,825 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | $11,220,229 |
| Qualified Basis (Acquisition): | $22,896,825 |
| Applicable Rate: | 3.30% |
| Maximum Annual Federal Credit, Rehabilitation: | $370,268 |
| Maximum Annual Federal Credit, Acquisition: | $755,595 |
| Total Maximum Annual Federal Credit: | $1,125,863 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $2,500,000 |
| Investor/Consultant: | WNC & Associates |
| Federal Tax Credit Factor: | $1.04500 |

Per Regulation Section 10322(h)(9)(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: | $31,527,770 |
| Actual Eligible Basis: | $31,527,770 |
| Unadjusted Threshold Basis Limit: | $23,629,384 |
| Total Adjusted Threshold Basis Limit: | $43,714,360 |

**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: 85%

**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 3.30% 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**

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/55. The existing regulatory agreement income targeting is 45% of the units at or below 45% AMI and 50% of the units at or below 50% AMI.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Oakland - Housing Development Services, 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 |
|---|---|
| **$1,125,863** | **$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 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.

**Additional Conditions:** None.