

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 14, 2012

Project Number CA-12-897

Project Name Coronado Place Apartments
Site Address: 671 S. Coronado Street
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2087.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$332,271	\$0
Recommended:	\$332,271	\$0

Applicant Information

Applicant: Deep Green Housing and Community Development
Contact: Zoe Ellas
Address: 1200 Wilshire Blvd, Suite 610
Los Angeles, CA 90057
Phone: 213-251-2111 Fax: 213-384-1201
Email: zellas@deepgreenhousing.org

General partner(s) or principal owner(s): Deep Green Housing and Community Development
General Partner Type: Nonprofit
Developer: Deep Green Housing and Community Development
Investor/Consultant: Merritt Community Capital Corp.
Management Agent: Deep Green Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 41
No. & % of Tax Credit Units: 40 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 22
Number of Units @ or below 60% of area median income: 18

Bond Information

Issuer: CalHFA
Expected Date of Issuance: December 13, 2012
Credit Enhancement: HUD/FHA Risk Sharing Program

Information

Housing Type: Non-Targeted
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

13 1-Bedroom Units
 15 2-Bedroom Units
 13 3-Bedroom Units

 41 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 1 Bedroom	50%	50%	\$791
3 1 Bedroom	60%	41%	\$646
8 2 Bedrooms	50%	46%	\$874
7 2 Bedrooms	60%	47%	\$887
4 3 Bedrooms	50%	45%	\$992
8 3 Bedrooms	60%	50%	\$1,104
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$11,499,070
 Estimated Residential Project Cost: \$11,499,070

Residential

Construction Cost Per Square Foot: \$51
 Per Unit Cost: \$280,465

Construction Financing

<u>Source</u>	<u>Amount</u>
CalHFA	\$6,000,000
NOI from Operations	\$172,000
Taax Credit Equity	\$1,046,655

Permanent Financing

<u>Source</u>	<u>Amount</u>
CalHFA	\$1,760,000
CRA/LA	\$1,001,976
Los Angeles Housing Department	\$180,625
HCD CHRP-R	\$1,992,729
Seller Carry Note	\$2,240,000
NOI and current reserves	\$372,000
Deferred Developer Fee	\$462,891
Tax Credit Equity	\$3,488,849
TOTAL	\$11,499,070

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,059,299
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,302,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,277,089
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$5,302,500
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$162,591
Maximum Annual Federal Credit, Acquisition:	\$169,680
Total Maximum Annual Federal Credit:	\$332,271
Approved Developer Fee in Project Cost:	\$879,974
Approved Developer Fee in Eligible Basis:	\$655,402
Investor/Consultant:	Merritt Community Capital Corp.
Federal Tax Credit Factor:	\$1.05000

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	\$9,361,799
Actual Eligible Basis:	\$9,361,799
Unadjusted Threshold Basis Limit:	\$10,621,222
Total Adjusted Threshold Basis Lim:	\$17,525,016

Adjustments to Basis Limit:

95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 55%

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 meet 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$332,271	\$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: The applicant/owner is required to provide the tenants with the following service amenities free of charge 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:

- A full-time equivalent, bona fide service coordinator/social worker provided on site.

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 TCAC placed-in-service application is submitted:

- This project will be rehabilitated to improve energy efficiency to reduce energy use by at least 20% from the modeled energy consumption of the building(s) based on existing conditions, and on the building(s) percentage decrease in the estimated annual energy use (or improvement in energy efficiency) in the building's Home Energy Rating System II (HERS II) rating post-rehabilitation.
- The Project will implement the following sustainable building management practices:
 - * Develop a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features
 - * Certify building management staff in sustainable building operations per Building Performance Institute Multifamily Building Operator or equivalent training program
 - * Undertake formal building systems commissioning, retro-commissioning, or re-commissioning as appropriate (continuous commissioning is not required)