

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

Project Number CA-2011-823

Project Name Market Park Apartments
 Site Address: 601 North Market Street
 Inglewood, CA 90302 County: Los Angeles
 Census Tract: 6009.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$273,878	\$0
Recommended:	\$273,878	\$0

Applicant Information

Applicant: Market Park Partners, LP
 Contact: David Beacham
 Address: 169 Saxony Road, Suite 103
 Encinitas, CA 92024
 Phone: (760) 557-1480 Fax: (760) 557-1480
 Email: david.beacham@vitusgroup.com

General partner(s) or principal owner(s): Market Park Management, LLC
 Pacific Housing, Inc.
 General Partner Type: Joint Venture
 Developer: Vitus Development, LLC
 Investor/Consultant: Boston Capital
 Management Agent: Hyder & Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 4
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-Based Section 8 (50 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 15
 Number of Units @ or below 60% of area median income: 34

Information

Housing Type: Non-Targeted
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Velia M. Greenwood

Bond Information

Issuer: CSCDA
 Date of Issuance: 4/30/2011
 Credit Enhancement: Citibank as Freddie Bank

Unit Mix

12 1-Bedroom Units
38 2-Bedroom Units
 50 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>
4 1 Bedroom	50%	50%	\$776
8 1 Bedroom	60%	53%	\$815
11 2 Bedrooms	50%	50%	\$932
25 2 Bedrooms	60%	58%	\$1,070
1 2 Bedrooms	60%	58%	\$1,070
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,276

Project Financing

Estimated Total Project Cost: \$8,555,570 Construction Cost Per Square Foot: \$38
 Per Unit Cost: \$171,111

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank / Freddie Mac	\$5,650,000	Citibank / Freddie Mac	\$5,650,000
Deferred Developer Fee	\$905,570	Deferred Developer Fee	\$536,525
Tax Credit Equity	\$2,000,000	Tax Credit Equity	\$2,369,045
		TOTAL	\$8,555,570

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$2,233,863
 130% High Cost Adjustment: Yes
 Requested Eligible Basis (Acquisition): \$5,152,000
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$2,904,022
 Qualified Basis (Acquisition): \$5,152,000
 Applicable Rate: 3.40%
 Maximum Annual Federal Credit, Rehabilitation: \$98,710
 Maximum Annual Federal Credit, Acquisition: \$175,168
 Total Maximum Annual Federal Credit: \$273,878
 Approved Developer Fee (in Project Cost & Eligible Basis): \$963,373
 Investor/Consultant: Boston Capital
 Federal Tax Credit Factor: \$0.86500

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:	\$7,385,863
Actual Eligible Basis:	\$7,385,863
Unadjusted Threshold Basis Limit:	\$11,239,016
Total Adjusted Threshold Basis Limit:	\$14,610,721

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: 30%

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. 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: None.

Local Reviewing Agency:

The Local Reviewing Agency, City of Inglewood, has completed a site review of this project and holds no position for 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
\$273,878	\$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) Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less); 2) 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); 3) CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less.