

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project**

**August 20, 2014**

**REVISED**

**Project Number** CA-14-875

**Project Name** The Paseo at Californian  
Site Address: 1901 W. 6th Street  
Los Angeles, CA 90057 County: Los Angeles  
Census Tract: 2089.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$758,464	\$0
Recommended:	\$758,464	\$0

**Applicant Information**

Applicant: The Californian Partners, LP  
Contact: Frank Fonseca  
Address: 8520 Washington Blvd.  
Culver City, CA 90232  
Phone: (310) 876-0353 Fax: (310) 876-0360  
Email: ff@americancommunities.net

General Partner(s) or Principal Owner(s): The Californian Developers, LLC  
Central Valley Coalition for Affordable Housing  
General Partner Type: Joint Venture  
Parent Company(ies): American Communities, LLC  
Central Valley Coalition for Affordable Housing  
Developer: American Communities, LLC  
Investor/Consultant: Credit Capital, LLC  
Management Agent: The John Stewart Company

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 53  
No. & % of Tax Credit Units: 52 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HOME  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 6  
Number of Units @ or below 50% of area median income: 25  
Number of Units @ or below 60% of area median income: 21

**Bond Information**

Issuer: City of Los Angeles  
 Expected Date of Issuance: September 11, 2014  
 Credit Enhancement: Wells Fargo Bank, N.A.

**Information**

Housing Type: Large Family  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

26 1-Bedroom Units  
 11 2-Bedroom Units  
16 3-Bedroom Units  
 53 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	35%	35%	\$535
6 1 Bedroom	40%	40%	\$611
7 1 Bedroom	50%	50%	\$764
12 1 Bedroom	60%	60%	\$917
2 2 Bedrooms	35%	35%	\$642
3 2 Bedrooms	40%	40%	\$734
2 2 Bedrooms	50%	50%	\$917
3 2 Bedrooms	60%	60%	\$1,101
3 3 Bedrooms	35%	35%	\$742
4 3 Bedrooms	40%	40%	\$848
3 3 Bedrooms	50%	50%	\$1,060
6 3 Bedrooms	60%	60%	\$1,272
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost:	\$21,212,390
Estimated Residential Project Cost:	\$21,212,390

**Residential**

Construction Cost Per Square Foot:	\$194
Per Unit Cost:	\$400,234

**Construction Financing**

Source	Amount
Well Fargo Bank - TE Bonds	\$10,500,000
HCID - HOME	\$2,800,000
HCD - IIG	\$2,600,000
City LA Demo Lien	\$361,417
County of Los Angeles CDC	\$1,100,000
Deferred Developer Fee	\$1,680,791
Tax Credit Equity	\$2,170,182

**Permanent Financing**

Source	Amount
CCRC - TE Bonds	\$2,600,000
HCID - HOME	\$2,800,000
HCD - IIG	\$2,600,000
HCD - TOD	\$3,791,330
City of LA Demo Lien	\$361,417
County of Los Angeles CDC	\$1,100,000
HCID & CDC Accrued Interest	\$137,670
Deferred Developer Fee	\$320,692
Tax Credit Equity	\$7,501,281
<b>TOTAL</b>	<b>\$21,212,390</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$17,364,093
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,573,321
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$758,464
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,000,000
Investor/Consultant:	Credit Capital, LLC
Federal Tax Credit Factor:	\$0.98901

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:	\$17,364,093
Actual Eligible Basis:	\$17,364,093
Unadjusted Threshold Basis Limit:	\$13,958,554
Total Adjusted Threshold Basis Limit	\$29,244,207

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 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: 48%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 22%

**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 3.36% 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$758,464</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 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 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:

- The project commits to becoming certified under any one of the following programs:  
Leadership in Energy & Environmental Design (LEED)
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes GOLD standard.
- The project will exceed Title 24 Standards for New Construction / Adaptive Reuse by 17.5% of the California Building Code.