

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 14, 2011**

Project Number CA-2011-890

Project Name Ramona Park Senior Apartments
Site Address: 3290 East Artesia Boulevard
Long Beach, CA 90805 County: Los Angeles
Census Tract: 5702.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$708,940	\$0
Recommended:	\$708,940	\$0

Applicant Information

Applicant: Long Beach Artesia LP
Contact: Karen Merritt
Address: P.O. Box 3958
Palm Desert, CA 92261
Phone: 760.568.1048 Fax: 760.568.9761
Email: kmerritt@pddc.net

General partner(s) or principal owner(s): Palm Communities
Western Community Housing
General Partner Type: Joint Venture
Developer: DL Horn & Associates, LLC
Investor/Consultant: Bank of America
Management Agent: Barker Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 61
No. & % of Tax Credit Units: 60 100%
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: 42
Number of Units @ or below 60% of area median income: 18

Bond Information

Issuer: California Statewide Communities Development Authority
 Date of Issuance: December 2011
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Velia M. Greenwood

Unit Mix

49 1-Bedroom Units
 12 2-Bedroom Units

 61 Total Units

<u>Unit Type & 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>
34 1 Bedroom	50%	40%	\$630
15 1 Bedroom	60%	48%	\$756
8 2 Bedrooms	50%	37%	\$712
3 2 Bedrooms	60%	45%	\$854
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$22,816,457
 Estimated Residential Project Cost: \$22,816,457

Residential

Construction Cost Per Square Foot: \$114
 Per Unit Cost: \$374,040

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$11,487,945
Long Beach Housing Development Co.	\$8,680,000
Famers & Merchants Bank	\$1,500,000
Deferred Developer Fee	\$797,903
Tax Credit Equity	\$350,609

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC	\$1,283,507
Long Beach Housing Development Co.	\$12,400,000
Farmers & Merchants Bank	\$1,500,000
Deferred Developer Fee	\$620,777
Tax Credit Equity	\$7,012,173
TOTAL	\$22,816,457

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,039,376
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$20,851,189
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$708,940
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,092,092
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.98911

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:	\$16,039,376
Actual Eligible Basis:	\$16,039,376
Unadjusted Threshold Basis Limit:	\$12,334,382
Total Adjusted Threshold Basis Limit:	\$23,593,700

Adjustments to Basis Limit:

- 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: 70%

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. 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, Long Beach Housing Development Company, 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
\$708,940

State Tax Credits/Total
\$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 provide the tenants with educational classes, and contract for services 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.

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 is a New Construction or Adaptive Reuse Project exceeding Title 24 Energy Standards by at least 10%
- Energy Star rated ceiling fans in all bedrooms and living rooms; or use of a whole house fan; or use of an economizer cycle on mechanically cooled HVAC systems.
- 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 toilet per unit.