

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 12, 2012**

**Project Number** CA-12-911

**Project Name** Park Village Apartments  
**Site Address:** 708 West Corregidor  
Compton, CA 90220 County: Los Angeles  
**Census Tract:** 5425.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,122,076	\$0
Recommended:	\$1,122,076	\$0

**Applicant Information**

**Applicant:** ROEM Development Corporation  
**Contact:** Jonathan Emami  
**Address:** 1650 Lafayette Street  
Santa Clara, CA 95050  
**Phone:** 408-984-5600 **Fax:** 408-984-3111  
**Email:** jemami@roemcorp.com

**General partner(s) or principal owner(s):** To be formed LLC  
Pacific Housing, Inc.  
**General Partner Type:** Joint Venture  
**Developer:** ROEM Development Corporation  
**Investor/Consultant:** Citi Community Capital  
**Management Agent:** FPI Management Inc.

**Project Information**

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 61  
**Total # of Units:** 164  
**No. & % of Tax Credit Units:** 162 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** Tax-Exempt/HUD Section 8 project based vouchers (162 units - 100%)  
**HCD MHP Funding:** No  
**55-Year Use/Affordability:** Yes  
**Number of Units @ or below 50% of area median income:** 17  
**Number of Units @ or below 60% of area median income:** 145

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: February 28, 2013  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

16 1-Bedroom Units  
 35 2-Bedroom Units  
 61 3-Bedroom Units  
 52 4-Bedroom Units  


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 164 Total Units

<u>Unit Type &amp; 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>
3 1 Bedroom	50%	50%	\$791
13 1 Bedroom	60%	60%	\$949
3 2 Bedrooms	50%	50%	\$948
30 2 Bedrooms	60%	60%	\$1,138
6 3 Bedrooms	50%	50%	\$1,096
55 3 Bedrooms	60%	60%	\$1,315
5 4 Bedrooms	50%	50%	\$1,222
47 4 Bedrooms	60%	60%	\$1,467
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$33,649,825  
 Estimated Residential Project Cost: \$33,649,825

**Residential**

Construction Cost Per Square Foot \$67  
 Per Unit Cost: \$205,182

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$24,250,000
Lease Up Income	\$210,435
Deferred Reserve Funding	\$745,693
Deferred Developer Fee	\$2,250,000
Tax Credit Equity	\$6,193,696

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$21,196,408
Lease Up Income	\$952,252
Deferred Developer Fee	\$785,338
Tax Credit Equity	\$10,715,827
<b>TOTAL</b>	<b>\$33,649,825</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$15,362,587
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,209,570
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$19,971,363
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$15,209,570
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$635,370
Maximum Annual Federal Credit, Acquisition:	\$486,706
Total Maximum Annual Federal Credit:	\$1,122,076
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Citi Community Capital
Federal Tax Credit Factor:	\$0.95500

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:	\$30,572,157
Actual Eligible Basis:	\$30,572,157
Unadjusted Threshold Basis Limit:	\$50,204,184
Total Adjusted Threshold Basis Limit	\$55,224,602

**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: 10 %

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found 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 3.20% 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:** Property is master metered and owners pays for water/sewer. The water line that feeds the Park Village Apartments is located at the entrance of the property at West Corregidor Street and Center Avenue. The sewer line runs from the Center Avenue all the way to Coral Avenue via West Corregidor Street.

**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>\$1,122,076</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 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:

- After school program of an on going nature for a minimum of 10 years free of charge and on-site
- Educational classes (such as English as a Second Language classes, computer training, etc but which are not the same as in ii above for a minimum of 10 years free of charge and on-site