

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 13, 2013**

**Project Number** CA-13-821

**Project Name** Chestnut Apartments  
 Site Address: 4825 E. Fillmore Avenue  
 Fresno, CA 93727 County: Fresno  
 Census Tract: 29.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$318,060	\$0
Recommended:	\$318,060	\$0

**Applicant Information**

Applicant: Deep Green Housing and Community Development  
 Contact: Zoe Ellas  
 Address: 1200 Wilshire Blvd, Suite 610  
 Los Angeles, CA 90017  
 Phone: 213-251-2111 Fax: 213-384-3847  
 Email: zellas@deepgreenhousing.org

General partner(s) or principal owner(s): Deep Green Housing and Community Development  
 APEC International, LLC  
 General Partner Type: Joint Venture  
 Developer: Deep Green Housing and Community Development  
 Investor/Consultant: R4 Capital, Inc.  
 Management Agent: Deep Green Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 9  
 Total # of Units: 90  
 No. & % of Tax Credit Units: 89 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (89 units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 44  
 Number of Units @ or below 60% of area median income: 45

**Bond Information**

Issuer: CSCDA  
 Expected Date of Issuance: June 1, 2013  
 Credit Enhancement: None

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

24 1-Bedroom Units  
 44 2-Bedroom Units  
 22 3-Bedroom Units  


---

 90 Total Units

<b>Unit Type &amp; Number</b>	<b>2013 Rents Targeted % of Area Median Income</b>	<b>2013 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
12 1 Bedroom	50%	50%	\$543
12 1 Bedroom	60%	57%	\$616
21 2 Bedrooms	50%	50%	\$652
22 2 Bedrooms	60%	54%	\$699
11 3 Bedrooms	50%	50%	\$753
11 3 Bedrooms	60%	60%	\$903
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$11,564,382  
 Estimated Residential Project Cost: \$11,564,382

**Residential**

Construction Cost Per Square Foot: \$32  
 Per Unit Cost: \$128,493

**Construction Financing**

Source	Amount
BBCN Bank	\$8,700,000
PG&E - Solar Incentive	\$653,107
Net Operating Income	\$355,000
Deferred Costs	\$912,114
Tax Credit Equity	\$944,161

**Permanent Financing**

Source	Amount
BBCN Bank	\$6,511,788
PG&E - Solar Incentive	\$653,107
Net Operating Income	\$355,000
Deferred Developer Fee	\$897,283
Tax Credit Equity	\$3,147,204
<b>TOTAL</b>	<b>\$11,564,382</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$3,594,894
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,387,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,673,362
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$5,387,750
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$145,652
Maximum Annual Federal Credit, Acquisition:	\$172,408
Total Maximum Annual Federal Credit:	\$318,060
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,213,823
Investor/Consultant:	R4 Capital, Inc.
Federal Tax Credit Factor:	\$0.98950

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:	\$8,982,644
Actual Eligible Basis:	\$8,982,644
Unadjusted Threshold Basis Limit:	\$19,663,152
Total Adjusted Threshold Basis Limit:	\$30,281,254

**Adjustments to Basis Limit:**

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 49%

**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 3.20% 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, City of Fresno Housing and Community Development, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$318,060</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 is a rehabilitation project incorporating Photovoltaic (PV) generation offsetting 50% of common area load.
- The project is a rehabilitation project providing sustainable building management practices:  
Project-specific maintenance manual  
Certification of buliding management staff  
Undertaking formal building systems commissioning, retro commissioning, re-commissioning