

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
May 21, 2014**

**Project Number** CA-14-845

**Project Name** The Alexander Apartments  
Site Address: 345 E. Commonwealth Avenue  
Fullerton, CA 92832 County: Orange  
Census Tract: 113.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$954,576	\$0
Recommended:	\$954,576	\$0

**Applicant Information**

Applicant: TRG Fullerton Affordable LP  
Contact: Kristin M. Miller  
Address: 888 Prospect Street, Suite 200  
La Jolla, CA 92037  
Phone: (203) 869-0900 Fax: (203) 869-1034  
Email: millerk@richmancapital.com

General Partner(s) or Principal Owner(s): TRG Fullerton Affordable LLC  
To be determined nonprofit co-general partner  
General Partner Type: Joint Venture  
Parent Company(ies): TRG Pacific Development, LLC  
To be determined nonprofit co-general partner  
Developer: TRG Fullerton Affordable LLC  
Investor/Consultant: The Richman Group Affordable Housing  
Management Agent: Richman Property Services, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 95  
No. & % of Tax Credit Units: 94 100.00%  
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: 10  
Number of Units @ or below 60% of area median income: 84

**Bond Information**

Issuer: CalHFA  
 Expected Date of Issuance: August 1, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Orange County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

79 1-Bedroom Units  
 16 2-Bedroom Units  


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 95 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>
8 1 Bedroom	50%	50%	\$847
71 1 Bedroom	60%	60%	\$1,017
2 2 Bedrooms	50%	48%	\$981
13 2 Bedrooms	60%	58%	\$1,178
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$27,430,606  
 Estimated Residential Project Cost: \$27,430,606

**Residential**

Construction Cost Per Square Foot: \$200  
 Per Unit Cost: \$288,743

**Construction Financing**

**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America Merrill Lynch - TE Bonds	\$15,500,866	CCRC - Tax Exempt Bonds	\$8,524,318
City of Fullerton	\$8,972,000	City of Fullerton	\$8,972,000
Deferred Developer Fee	\$2,000,000	Deferred Developer Fee	\$388,528
Tax Credit Equity	\$957,740	Tax Credit Equity	\$9,545,760
		<b>TOTAL</b>	<b>\$27,430,606</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$22,946,537  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$29,830,498  
 Applicable Rate: 3.36%  
 Maximum Annual Federal Credit: \$954,576  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$2,500,000  
 Investor/Consultant: The Richman Group Affordable Housing  
 Federal Tax Credit Factor: \$1.00000

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:	\$22,946,537
Actual Eligible Basis:	\$22,946,537
Unadjusted Threshold Basis Limit:	\$18,253,984
Total Adjusted Threshold Basis Limit:	\$23,398,791

**Adjustments to Basis Limit:**

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: 10%

**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:** The applicant has yet to select a nonprofit co-general partner for this project. Under regulation section 10322(h)(5), the applicant must select the nonprofit co-general partner and provide TCAC with all documentation for the co-general partner required by regulation within 180 days of the reservation of tax credits (no later than November 17, 2014).

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Fullerton, 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**  
**\$954,576**

**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 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:** None.