

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**July 16, 2014**

**Project Number** CA-14-863

**Project Name** Las Brisas Apartments  
Site Address: 4339-4379 Elizabeth Street and 4350-4394 Clara Street  
Cudahy, CA 90201 County: Los Angeles  
Census Tract: 5344.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$530,777	\$0
Recommended:	\$530,777	\$0

**Applicant Information**

Applicant: ISG Las Brisas L.P.  
Contact: Denny Hou  
Address: One Embarcadero Center, Suite 500  
San Francisco, CA 94111  
Phone: (650) 898-7081 Fax: (415) 276-9364  
Email: denny@sierrapointgroup.com

General Partner(s) or Principal Owner(s): ISG Development LLC  
National Housing Corporation  
General Partner Type: Joint Venture  
Parent Company(ies): Sierra Point Group, LLC  
Impact Development Group, LLC  
National Housing Corporation  
Developer: ISG Development LLC  
Investor/Consultant: City Real Estate Advisors, Inc.  
Management Agent: Hyder Property Management Professionals

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 12  
Total # of Units: 100  
No. & % of Tax Credit Units: 99 100.00%  
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: 20  
Number of Units @ or below 60% of area median income: 79

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: August 31, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

12 1-Bedroom Units  
 80 2-Bedroom Units  
 8 3-Bedroom Units  


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 100 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>
2 1 Bedroom	50%	50%	\$764
10 1 Bedroom	60%	60%	\$917
16 2 Bedrooms	50%	50%	\$917
63 2 Bedrooms	60%	60%	\$1,101
2 3 Bedrooms	50%	50%	\$1,060
6 3 Bedrooms	60%	60%	\$1,272
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,074

**Project Financing**

Estimated Total Project Cost: \$16,972,333  
 Estimated Residential Project Cost: \$16,972,333

**Residential**

Construction Cost Per Square Foot: \$30  
 Per Unit Cost: \$169,723

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital - TE Bonds	\$12,285,000
Deferred Developer Fee	\$1,906,554
Tax Credit Equity	\$2,780,779

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$10,273,493
NOI During Rehabilitation	\$402,072
Deferred Developer Fee	\$1,254,890
Tax Credit Equity	\$5,041,878
<b>TOTAL</b>	<b>\$16,972,333</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$3,933,413
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,683,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,113,437
Qualified Basis (Acquisition):	\$10,683,500
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$171,811
Maximum Annual Federal Credit, Acquisition:	\$358,966
Total Maximum Annual Federal Credit:	\$530,777
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,906,554
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.94991

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:	\$14,616,913
Actual Eligible Basis:	\$14,616,913
Unadjusted Threshold Basis Limit:	\$26,369,484
Total Adjusted Threshold Basis Limit	\$31,643,381

**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: 20%

**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 are below 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 project's annual per unit operating expenses, in the amount of \$4,099, are below the TCAC published minimum of \$4,800. Upon agreement of the equity investor and the permanent lender, the proposed annual per unit operating expense amount of \$4,099 may be utilized for underwriting as allowed by TCAC Regulations Section 10327(g)(1).

This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Cudahy Gardens (CA-98-920).

**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>\$530,777</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 improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.