

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 19, 2016

Columbia Apartments, located at 415 E. Adams Boulevard, 1034 S. Catalina Avenue, 1043 S. Kingsley Drive, 1137 & 1147 S. Bronson Avenue, and 1522 W. 11th Place in Los Angeles, requested and is being recommended for a reservation of \$1,117,573 in annual federal tax credits to finance the acquisition and rehabilitation of 122 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by CAHD Developers, LLC and is located in Senate Districts 24 and 30 and Assembly Districts 53, 54, and 59.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-16-932

Project Name Columbia Apartments

	Site 1	Site 2
Site Address:	415 E. Adams Boulevard Los Angeles, CA 90011	1034 S. Catalina Avenue Los Angeles, CA 90006
Census Tract:	2264.100	2133.200

	Site 3	Site 4
Site Address:	1043 S. Kingsley Drive Los Angeles, CA 90006	1137 & 1147 S. Bronson Avenue Los Angeles, CA 90019
Census Tract:	2132.010	2129.000

	Site 5
Site Address:	1522 W. 11th Place Los Angeles, CA 90015
Census Tract:	2100.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,117,573	\$0
Recommended:	\$1,117,573	\$0

Applicant Information

Applicant: Columbia Associates II, LP
 Contact: Marco Gomez
 Address: 3553 Atlantic Avenue, Suite 250
 Long Beach, CA 90807
 Phone: 213.924.3217 Fax: 562.683.0414
 Email: mg@iahinc.oeg

General Partner(s) or Principal Owner(s): IAHI-CA, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Intercontinental Affordable Housing
 Developer: CAHD Developers, LLC
 Investor/Consultant: Richman Group / Credit Capital
 Management Agent: American Real Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 127
 No. & % of Tax Credit Units: 122 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (127 units - 100%)
 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: 80

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: October 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

78 SRO/Studio Units
 38 1-Bedroom Units
 11 2-Bedroom Units

 127 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>1034 S. Catalina Avenue</u>			
16 SRO/Studio	60%	56%	\$850
3 SRO/Studio	50%	50%	\$760
2 SRO/Studio	60%	56%	\$850
2 SRO/Studio	50%	50%	\$760
1 SRO/Studio	Manager's Unit	Manager's Unit	\$850
<u>1043 S. Kingsley Drive</u>			
18 SRO/Studio	60%	56%	\$850
5 SRO/Studio	60%	56%	\$850
6 SRO/Studio	50%	50%	\$760
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,173
<u>1137 and 1147 S. Bronson Avenue</u>			
1 SRO/Studio	60%	56%	\$850
13 1 Bedroom	60%	60%	\$977
2 1 Bedroom	50%	50%	\$814
7 1 Bedroom	50%	50%	\$814
2 2 Bedrooms	60%	60%	\$1,173
1 2 Bedrooms	50%	50%	\$977
5 2 Bedrooms	60%	60%	\$1,173
1 2 Bedrooms	50%	50%	\$977
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,173
<u>1522 W. 11th Place</u>			
10 SRO/Studio	50%	50%	\$760
2 SRO/Studio	60%	56%	\$850
3 1 Bedroom	50%	50%	\$814
1 1 Bedroom	Manager's Unit	Manager's Unit	\$977
<u>415 E. Adams Street</u>			
10 SRO/Studio	60%	56%	\$850
2 SRO/Studio	50%	50%	\$760
3 1 Bedroom	60%	60%	\$977
3 1 Bedroom	50%	50%	\$814
3 1 Bedroom	60%	60%	\$977
2 1 Bedroom	50%	50%	\$814
1 1 Bedroom	Manager's Unit	Manager's Unit	\$977

Project Cost Summary at Application

Land and Acquisition	\$24,285,000
Construction Costs	\$0
Rehabilitation Costs	\$6,715,711
Construction Contingency	\$100,000
Relocation	\$63,500
Architectural/Engineering	\$130,000
Const. Interest, Perm. Financing	\$1,121,608
Legal Fees, Appraisals	\$11,500
Reserves	\$871,163
Other Costs	\$182,200
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$35,980,682

Project Financing

Estimated Total Project Cost:	\$35,980,682
Estimated Residential Project Cost:	\$35,980,682
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$126
Per Unit Cost:	\$283,312
True Cash Per Unit Cost*:	\$270,094

Construction Financing

Source	Amount
Jones Lang LaSalle Capital Markets	\$18,000,000
Columbia Apartments Seller's Note	\$9,700,000
Totalis Energy LLC	\$1,000,000
Deferred Developer Fee	\$2,413,827
Tax Credit Equity	\$4,866,855

Permanent Financing

Source	Amount
Jones Lang LaSalle Capital Markets	\$18,000,000
Columbia Apartments Seller's Note	\$4,000,000
Deferred Developer Fee	\$1,678,770
Solar Tax Credit Equity	\$321,535
Tax Credit Equity	\$11,980,377
TOTAL	\$35,980,682

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,023,227
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$22,697,940
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,730,195
Qualified Basis (Acquisition):	\$22,697,940
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$379,890
Maximum Annual Federal Credit, Acquisition:	\$737,683
Total Maximum Annual Federal Credit:	\$1,117,573
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Richman Group / Credit Capital
Federal Tax Credit Factor:	\$1.07200

Per Regulation Section 10322(h)(9)(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:	\$31,721,167
Actual Eligible Basis:	\$31,721,167
Unadjusted Threshold Basis Limit:	\$26,420,512
Total Adjusted Threshold Basis Limit:	\$37,252,922

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.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area 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: 34%

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 (see **Special Issues/Other Significant Information** below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% 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 proposed rent does not include a utility allowance. The owner will pay all utilities.

This project involves the substantial rehabilitation of 6 buildings originally constructed between 1912 and 1929 at 5 scattered sites in the City of Los Angeles.

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$5,000. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$4,495 on agreement of the permanent lender and equity investor.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. Specifically, the management company American Real Property Management, Inc., shall complete training as prescribed by TCAC prior to the project placing in service.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles Housing and Community Investment Department, has completed a site review of this project and 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	State Tax Credits/Total
\$1,117,573	\$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

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 rehabilitation 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 (HERS II) post rehabilitation.
- The rehabilitation project commits to include photovoltaic (PV) generation that offsets tenant loads.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.