

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 12, 2018**  
**REVISED**

Hotel Fresno Apartments, located at 1241-1263 Broadway Plaza in Fresno, requested and is being recommended for a reservation of \$847,528 in annual federal tax credits to finance the adaptive reuse of 78 units of housing serving tenants with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by APEC International, LLC and Deep Green Housing and will be located in Senate District 14 and Assembly District 31.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the AHSC program of HCD.

**Project Number** CA-18-664

**Project Name** Hotel Fresno Apartments  
Site Address: 1241-1263 Broadway Plaza  
Fresno, CA 93721 County: Fresno  
Census Tract: 6019.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$847,528	\$0
Recommended:	\$847,528	\$0

**Applicant Information**

Applicant: Hotel Fresno Apartments, LP  
Contact: Eugene Kim  
Address: 770 S. Irolo Street, Suite 1000  
Los Angeles, CA 90005  
Phone: 213-738-7389  
Email: ekim@4apec.com

General Partner(s) or Principal Owner(s): APEC Hotel Fresno, LLC  
Deep Green Housing and Community Development  
General Partner Type: Joint Venture  
Parent Company(ies): APEC International, LLC  
Deep Green Housing and Community Development  
Developer(s): APEC International, LLC and  
Deep Green Housing and Community Development  
Investor/Consultant: Credit Capital LLC  
Management Agent: FPI Management

**Project Information**

Construction Type: Adaptive Reuse/Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 79  
 No. / % of Low Income Units: 78 100.00%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (19 units - 24%)

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: December 31, 2018

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Pavlos Mayakis

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Percentage of</b>
<b>Number of Units</b>	<b>Affordable</b>
	<b>Units</b>
At or Below 30% AMI: 19	24%
At or Below 50% AMI: 21	27%
At or Below 80% AMI: 38	49%

**Unit Mix**

39 1-Bedroom Units
28 2-Bedroom Units
12 3-Bedroom Units
<b>79 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
19 1 Bedroom	30%	30%	\$336
4 1 Bedroom	40%	40%	\$448
1 1 Bedroom	80%	80%	\$896
2 1 Bedroom	40%	40%	\$448
13 1 Bedroom	80%	80%	\$896
8 2 Bedrooms	40%	40%	\$538
19 2 Bedrooms	80%	80%	\$1,076
7 3 Bedrooms	40%	40%	\$621
5 3 Bedrooms	80%	80%	\$1,242
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$27,515,400

**Project Cost Summary at Application**

Land and Acquisition	\$3,325,608
Construction Costs	\$0
Rehabilitation Costs	\$16,671,536
Construction Contingency	\$1,367,969
Relocation	\$0
Architectural/Engineering	\$790,009
Const. Interest, Perm. Financing	\$1,800,386
Legal Fees, Appraisals	\$180,500
Reserves	\$215,000
Other Costs	\$598,090
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$26,349,098</b>

**Residential**

Construction Cost Per Square Foot:	\$132
Per Unit Cost:	\$333,533
True Cash Per Unit Cost*:	\$315,811

**Construction Financing**

Source	Amount
Bank of Hope	\$15,500,000
City of Fresno	\$1,900,000
AHSC Grant	\$3,037,676
Deferred Costs	\$1,671,596
Tax Credit Equity	\$4,239,826

**Permanent Financing**

Source	Amount
Bank of Hope	\$6,452,880
City of Fresno	\$1,900,000
AHSC Grant	\$3,037,676
AHSC Loan	\$1,762,324
GP Loan	\$596,606
Deferred Developer Fee	\$1,400,000
Historic Tax Credit Equity	\$3,352,944
Tax Credit Equity	\$7,846,668
<b>TOTAL</b>	<b>\$26,349,098</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis	\$18,441,130
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,072,000
Applicable Fraction:	100.00%
Qualified Basis:	\$23,973,469
Qualified Basis (Acquisition):	\$2,072,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit	\$779,774
Maximum Annual Federal Credit, Acquisition:	\$67,754
Total Maximum Annual Federal Credit:	\$847,528
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Credit Capital LLC
Federal Tax Credit Factor:	\$0.92583

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$20,513,130
Actual Eligible Basis:	\$20,513,130
Unadjusted Threshold Basis Limit:	\$23,433,918
Total Adjusted Threshold Basis Limit:	\$43,118,409

**Adjustments to Basis Limit**

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 26%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 48%

**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 3.27% 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.

**Significant Information / Additional Conditions**

This project is an adaptive re-use and historic preservation of an existing hotel building constructed in 1913.

**Local Reviewing Agency**

The Local Reviewing Agency, City of Fresno Housing Successor Agency, has completed a site review of this project and fully supports this project.

**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.

### **CDLAC Additional Conditions**

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year

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 becoming certified under GreenPoint Rated Multifamily Guidelines.