

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 16, 2012**

**Project Number** CA-12-827

**Project Name** Fickett Tower Apartments  
 Site Address: 14801 Sherman Way  
 Los Angeles, CA 91405 County: Los Angeles  
 Census Tract: 1272.200

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$707,160	\$0
Recommended:	\$707,160	\$0

**Applicant Information**

Applicant: Camino Mercado Partners, L.P.  
 Contact: Lou Mellman  
 Address: 4530 E. Thousand Oaks Blvd., Suite 100  
 Westlake Village, CA 91362  
 Phone: 804-495-8400 Fax: 805-495-5471  
 Email: lou@ccinvest.com

General partner(s) or principal owner(s): AOF/Pacific Affordable Housing Corp.  
 California Commercial Investment Company, LLC  
 General Partner Type: Joint Venture  
 Developer: GL Holdings LLC  
 Investor: Partners of Camino Mercado Partners, L.P.  
 Management Agent: California Commercial Investment Group, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 200  
 No. & % of Tax Credit Units: 198 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Contract (100% / 198 Units)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 62  
 Number of Units @ or below 60% of area median income: 136

**Bond Information**

Issuer: Los Angeles Housing Department  
 Expected Date of Issuance: August 1, 2012  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

126 SRO/Studio Units  
 74 1-Bedroom Units  


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 200 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
39 SRO/Studio	50%	38%	\$560
87 SRO/Studio	60%	46%	\$672
23 1 Bedroom	50%	40%	\$640
49 1 Bedroom	60%	49%	\$768
2 1 Bedroom	Manager's Unit	Manager's Unit	\$768

**Project Financing**

Estimated Total Project Cost: \$23,717,794  
 Estimated Residential Project Cost: \$23,717,794

**Residential**

Construction Cost Per Square Foot: \$19  
 Per Unit Cost: \$118,589

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital- Tax Ex. Bonds	\$15,500,000
Cash Flow from Operations	\$738,566
Construction Period Holdbacks	\$1,916,704
Tax Credit Equity	\$5,562,524

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Johnson Capital/Prudential - HUD 223(f)	\$16,000,000
Cash Flow from Operations	\$738,566
Deferred Developer Fee	\$544,072
Tax Credit Equity	\$6,435,156
<b>TOTAL</b>	<b>\$23,717,794</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,811,239
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,846,338
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,254,611
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$15,846,338
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$200,078
Maximum Annual Federal Credit, Acquisition:	\$507,082
Total Maximum Annual Federal Credit:	\$707,160
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor:	See Special Issues Section Below
Federal Tax Credit Factor:	\$0.91000

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:	\$20,657,577
Actual Eligible Basis:	\$20,657,577
Unadjusted Threshold Basis Limit:	\$38,045,856
Total Adjusted Threshold Basis Limit:	\$61,253,828

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

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: 31%

**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:** The general partners and limited partners of the tax credit applicant, Camino Mercado Partners, L.P., intend to use the tax credits for their own benefit and therefore will not be syndicating the tax credits to any 3rd party investors as is typically done.

TCAC has approved most of the applicant's exemption request for the minimum construction standards under regulation section 10326(g)(6), as detailed in regulation section 10325(f)(7), for the project's landscaping, roof, exterior unit doors, and insulation, as supported by the Capital Needs Assessment. However, TCAC did not approve the applicant's request to use the TREAT energy-use analysis software instead of the HERS II analysis and reporting as required in regulation 10326(g)(6) as detailed in regulation section 10325(f)(7). For purposes the demonstrating the required improvement to the project's energy efficiency the applicant is required to comply with TCAC regulation 10326(g)(6), as detailed under regulation section 10325(f)(7), by using HERS II.

**Local Reviewing Agency:**

The Local Reviewing Agency, the Los Angeles Housing 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$707,160</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 an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

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 provide the tenants with the following service amenities free of charge for a minimum of ten (10) 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:

- High-speed Internet or wireless (WiFi)
- Contracts for services