

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 10, 2012**

Project Number CA-12-881

Project Name Columbia Apartments
Site Addresses: Scattered Site Project County: Los Angeles
1034 S. Catalina Avenue, Los Angeles, CA 90006
1043 S. Kingsley Drive, Los Angeles, CA 90006
1137 & 1147 S. Bronson Avenue, Los Angeles, 90019
1522 11th Place, Los Angeles, CA 90015
415 E. Adams Boulevard, Los Angeles, CA 90011
Census Tracts: 2133.20, 2132.01, 2129.00, 2100.10, 2264.10 respectively

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$904,389	\$0
Recommended:	\$904,389	\$0

Applicant Information

Applicant: Columbia One, LP
Contact: Johnathan Hawke
Address: 2090 N. Tustin Avenue, Suite 250-B
Santa Ana, CA 92705
Phone: 714.547.7721 **Fax:** 714.242.1568
Email: jhawke@icaff.org

General partner(s) or principal owner(s): IAHI-Columbia, LLC
General Partner Type: Nonprofit
Developer: Intercontinental Affordable Housing, Inc
Investor/Consultant: Hudson Housing Capital, LLC
Management Agent: Genessy Management & Development LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 127
No. & % of Tax Credit Units: 126 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Contract (126 Units / 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 64
Number of Units @ or below 60% of area median income: 62

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 1, 2012
 Credit Enhancement: Freddie Mac

Information

Housing Type: Non-targeted
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

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

 127 Total Units

Unit Type & Number	2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14 SRO/Studio	50%	46%	\$680
14 SRO/Studio	60%	46%	\$680
13 SRO/Studio	50%	46%	\$680
12 SRO/Studio	60%	46%	\$680
12 SRO/Studio	50%	46%	\$680
12 SRO/Studio	60%	46%	\$680
2 1 Bedroom	50%	50%	\$791
2 1 Bedroom	60%	60%	\$949
6 1 Bedroom	50%	50%	\$791
6 1 Bedroom	60%	60%	\$949
11 1 Bedroom	50%	50%	\$791
11 1 Bedroom	60%	60%	\$949
1 2 Bedrooms	50%	50%	\$948
5 2 Bedrooms	60%	60%	\$1,138
5 2 Bedrooms	50%	50%	\$948
1 SRO/Studio	Manager's Unit	Manager's Unit	\$956

Project Financing

Estimated Total Project Cost:	\$29,915,328
Estimated Residential Project Cost:	\$29,915,328

Residential

Construction Cost Per Square Foot:	\$109
Per Unit Cost:	\$235,554

Construction Financing

Source	Amount
Merchant Capital	\$16,000,000
Seller Note	\$11,000,000
Deferred Developer Fee	\$744,794
Tax Credit Equity	\$2,170,534

Permanent Financing

Source	Amount
Merchant Capital - Series A Bonds	\$13,000,000
Merchant Capital - Series B Bonds	\$3,000,000
Seller Note	\$4,900,000
Deferred Developer Fee	\$333,194
Tax Credit Equity	\$8,682,134
TOTAL	\$29,915,328

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,794,297
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,542,483
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,732,586
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$15,542,483
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$407,030
Maximum Annual Federal Credit, Acquisition:	\$497,359
Total Maximum Annual Federal Credit:	\$904,389
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Hudson Housing Capital, LLC
Federal Tax Credit Factor:	\$0.96000

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:	\$25,336,780
Actual Eligible Basis:	\$25,336,780
Unadjusted Threshold Basis Limit:	\$24,685,480
Total Adjusted Threshold Basis Limit:	\$41,965,316

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 50%

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 as allowed by Regulations - see Special Issues section of this report below - 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: This is a scattered site project with 5 locations under the same HUD Section 8 project-based contract covering all of the affordable tax credit units.

This project is using CSCDA as the bond issuer instead of LAHD. LAHD issued a letter of "No Support" on June 15, 2012 because according to LAHD's letter, the applicant "failed to submit the application to our offices, as per Bond Policies". Subsequently, on June 19, 2012, the TEFRA was approved for this project.

The project's estimated operating expenses are 4% below the TCAC operating expense minimum for this type of project as allowed by regulation section 10327(g)(1). The estimated operating expense figure has been confirmed and accepted by the equity investor and the permanent lender for this project in accordance with the regulation.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$904,389	\$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 project is a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 30% as calculated using a methodology approved by the California Energy Commission.
- The project will incorporate the following energy efficient item:
 - * Photovoltaic (PV) energy generation offsetting at least 50% of the common area load.