

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Casa Rita Apartments, located at 6509 Rita Avenue in Huntington Park, requested and is being recommended for a reservation of \$798,421 in annual federal tax credits to finance the acquisition and rehabilitation of 102 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Century Affordable Development, Inc. and is located in Senate District 33 and Assembly District 53.

Casa Rita Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Casa Rita Apartments (CA-93-100). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number	CA-17-760		
Project Name	Casa Rita Apartments		
Site Address:	6509 Rita Avenue		
	Huntington Park, CA 90255		County: Los Angeles
Census Tract:	5326.05		

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$798,421	\$0
Recommended:	\$798,421	\$0

Applicant Information

Applicant:	Casa Rita, LP	
Contact:	Oscar Alvarado	
Address:	1000 Corporate Pointe Culver City, CA 90230	
Phone:	(310) 642-2079	Fax: (310) 642-2083
Email:	oalvarado@centuryhousing.org	

General Partner(s) or Principal Owner(s):	CADI Eleven, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Century Affordable Development, Inc.
Developer:	Century Affordable Development, Inc.
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	John Stewart Companies

Project Information

Construction Type: Acquisition & Rehabilitatio
 Total # Residential Buildings: 2
 Total # of Units: ##
 No. & % of Tax Credit Units: ## 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: 21
 Number of Units @ or below 60% of area median income: 81

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: November 10, 2017
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

72 2-Bedroom Units
 31 3-Bedroom Units

 103 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10 2 Bedrooms	50%	50%	\$1,013
62 2 Bedrooms	60%	60%	\$1,216
11 3 Bedrooms	50%	50%	\$1,171
19 3 Bedrooms	60%	60%	\$1,406
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$35,340,360

Project Cost Summary at Application

Land and Acquisition	\$16,735,000
Construction Costs	\$0
Rehabilitation Costs	\$3,823,334
Construction Contingency	\$0
Relocation	\$81,900
Architectural/Engineering	\$218,750
Const. Interest, Perm. Financing	\$1,521,150
Legal Fees, Appraisals	\$212,500
Reserves	\$320,157
Other Costs	\$536,999
Developer Fee	\$2,952,973
Commercial Costs	\$0
Total	\$26,402,763

Project Financing

Estimated Total Project Cost:	\$26,402,763
Estimated Residential Project Cost:	\$26,402,763
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$23
Per Unit Cost:	\$256,338
True Cash Per Unit Cost*:	\$242,962

Construction Financing

Source	Amount
Citi Community Capital - Bond Loan	\$17,984,322
Century Housing Corp. - Legacy Loan	\$1,212,985
Century Housing Corp. - Junior Loan	\$3,519,000
Costs Deferred Until Completion	\$1,498,223
Seller Carryback Loan	\$637,015
General Partner Equity	\$476,600
Deferred Developer Fee	\$740,407
Tax Credit Equity	\$334,211

Permanent Financing

Source	Amount
Citi Community Capital - Bond Loan	\$10,930,000
Century Housing Corp. - Legacy Loan	\$1,212,985
Century Housing Corp. - Junior Loan	\$3,519,000
Income from Operations	\$968,344
Seller Carryback Loan	\$637,015
General Partner Equity	\$476,600
Deferred Developer Fee	\$740,407
Tax Credit Equity	\$7,918,412
TOTAL	\$26,402,763

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,424,461
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$16,215,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,351,799
Qualified Basis (Acquisition):	\$16,215,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$271,433
Maximum Annual Federal Credit, Acquisition:	\$526,988
Total Maximum Annual Federal Credit:	\$798,421
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,952,973
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99176

Per Regulation Section 10327(c)(6), 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:	\$22,639,461
Actual Eligible Basis:	\$22,639,461
Unadjusted Threshold Basis Limit:	\$31,538,432
Total Adjusted Threshold Basis Limit:	\$37,846,118

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 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 3.25% 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

On May 2, 2017, the applicant or its assignee obtained TCAC's consent to assign and assume the existing Regulatory Agreement (CA-93-100). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 1/1/1996 through 12/31/2010. The existing regulatory agreement expires 12/31/2040. The existing regulatory agreement income targeting is 21 units at or below 50% AMI and 81 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication where the existing regulatory agreement requires service amenities (even if that requirement might have been expired). The newly re-syndicated project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of \$476,600. In consideration of requirement of the Short Term Work Capitalized Replacement Reserve, the general partner will make a contribution of \$476,600. As a result of the general partner equity contribution, the applicant is allowed to use the Short Term Work Reserve Amount to fund rehabilitation expenses in lieu of setting aside of a Short Term Work Capitalized Reserve and to receive eligible basis for such amount.

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
\$798,421	\$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: None.