

Innovation Square Phase 2

Proposal Application Summary

4% LIHTC with BGF Round

Basic Project Information

Project Name	Innovation Square Phase 2
LIHTC Type	4% LIHTC
BGF Pool/Subpool	New Affordability in a PJ
Lead Developer	Fairfax Renaissance Development Corporation
Project Address	2287 E. 103 Street
Project City or Township	Cleveland
Project County	Cuyahoga
Construction Type	New Construction
Population Served	Families
Total Units	60
HDAP Request	\$3,500,000
Total 10-Year LIHTC Request	\$9,663,301
Total Development Cost	\$19,782,000

Project Rendering



Development and Operations Team

Lead Developer	Fairfax Renaissance Development Corporation
Co-Developer #1	McCormack Baron Salazar
Co-Developer #2	N/A
Development Consultant	N/A
LIHTC Syndicator/Investor	Gershman
GP/MM #1 Parent Entity	McCormack Baron Salazar
GP/MM #2 Parent Entity	Fairfax Renaissance Development Corporation
GP/MM #3 Parent Entity	N/A
General Contractor	John G. Johnson
Architect of Record	City Architecture
Property Management Firm	McCormack Baron Management

Project Narrative

Fairfax Renaissance Development Corporation (FRDC) and McCormack Baron Salazar (MBS) propose the construction of Innovation Square Phase II, a new 60-unit affordable housing community. The new walkup building, with a mix of one and two-bedroom units, is the latest part of a comprehensive neighborhood revitalization initiative on Cleveland's east side. It will complement a new walkable, mixed-use, and mixed-income community along Cleveland's recently constructed Opportunity Corridor. The development is anchored by two new apartment communities, and a new 40,000 SF grocery store, set to open in fall 2023. The building will share community space, business, and fitness centers, a rooftop, a ground floor garden, and a park with the directly adjacent Phase I building, the 82-unit Aura at Innovation Square.

Site Information

Site Size (Acres)	1.67
Scattered Sites?	No
Total Number of Buildings	1
Total Parking Spaces	62
Parking Ratio (Parking Spaces per Unit)	1.0
Urban Suburban Rural (USR) Geography	Urban
Located in a Participating Jurisdiction (PJ)?	Yes
Located in a Qualified Census Tract (QCT)?	Yes
Located in a Difficult Development Area?	No
Census Tract Opportunity Index	Low
Census Tract Change Index	Decline

Building Square Footage Breakdown

	Size (SF)	Pct of Total
Commercial and Fee-Driven Space		
Unrestricted/Market-Rate Unit Area		
LIHTC Unit Area	44,987	83%
Manager's Unit Area		
Common Area	8,749	16%
Support and Program Space	792	1%
Tenant Storage Space		
Major Vertical Penetrations (Elevator/Stairs, Etc.)		
Structured Parking/Garage		
Basement		
Total Square Footage of all Buildings	54,528	100%

Units by LIHTC Income Restrictions

LIHTC Income Restriction	Number of Units	Percent of Total Units
20% AMI		
30% AMI	12	20%
40% AMI		
50% AMI	13	22%
60% AMI	23	38%
70% AMI		
80% AMI	12	20%
Unrestricted		
Manager's		
Total Units	60	100%

Units by Bedroom Type and Rental Subsidy

Bedroom Type	Number of Units	Percent of Total Units	Units with Rental Subsidy	Percent of Total Units Subsidized
Studio				
1-BR	48	80%	9	19%
2-BR	12	20%	3	25%
3-BR				
4-BR				
5-BR				
Total Units	60	100%	12	20%

Consolidated Annual Operating Budget

Operating Line Item	Annual Amount	Annual Per Unit Amount
Potential Gross Rental Income	\$707,100	\$11,785
Potential Gross Commercial Income	\$0	\$0
Vacancy Allowance 7%	(\$49,497)	(\$825)
Interest Income and Other Financial Income	\$0	\$0
Laundry, Tenant Charges, and Service Income	\$0	\$0
Effective Gross Income (EGI)	\$657,603	\$10,960
Administrative Expenses	\$118,100	\$1,968
Owner-Paid Utilities	\$88,000	\$1,467
Maintenance Costs	\$144,400	\$2,407
Taxes and Insurance	\$114,500	\$1,908
Tax Abatement and/or Operating Subsidy	(\$30,600)	(\$510)
Reserves and Other Expenses	\$24,000	\$400
Total Operating Expenses	\$458,400	\$7,640
Net Operating Income (EGI - OpEx)	\$199,203	\$3,320

LIHTC Calculation

	Acquisition	Rehabilitation	New Construction
LIHTC Eligible Basis			\$18,583,271
- Reductions in Eligible Basis			\$0
= Net Eligible Basis			\$18,583,271
Basis Boost for QCT/DDA			\$5,574,981
Adjusted Eligible Basis			\$24,158,252
X Applicable Fraction			100%
Qualified Basis			\$24,158,252
30% Present Value Rate			4.00%
Annual LIHTC Generated			\$966,330
Total 10-Year LIHTC	\$9,663,301		
LIHTC Equity Generated	\$8,603,000		
Equity Price	\$0.89		

Construction Sources of Funds

Construction Sources	Amount	Percent of Total
LIHTC Equity	\$1,720,600	9%
Historic Tax Credit Equity		
Construction Loan	\$10,385,550	53%
OHFA HDAP Request	\$3,500,000	18%
Deferred Developer Fee		
Cleveland General Funds	\$1,800,000	9%
Cleveland HOME Funds	\$900,000	5%
Federal Directed Earmark	\$1,000,000	5%
Post Construction Sources	\$475,850	2%
N/A		
Total Construction Sources	\$19,782,000	100%

Development Budget, Eligible Basis and Cost Containment Standards

Development Costs	Amount	Per Unit Amount	LIHTC Eligible Basis
Acquisition	\$250,000	\$4,167	\$0
Predevelopment	\$1,464,000	\$24,400	\$1,464,000
Site Development	\$350,000	\$5,833	\$350,000
Hard Construction	\$12,494,000	\$208,233	\$12,494,000
Financing	\$1,534,249	\$25,571	\$1,098,500
Professional Fees	\$96,000	\$1,600	\$80,000
Developer Fee	\$3,096,771	\$51,613	\$3,096,771
OHFA and Other Fees	\$206,980	\$3,450	\$0
Capitalized Reserves	\$290,000	\$4,833	\$0
Total Development Costs (TDC)	\$19,782,000	\$329,700	\$18,583,271
LIHTC Eligible Basis as a Percent of Total Development Costs			94%

Cost Containment Standards	Project	Maximum	Variance
TDC per Unit	\$329,700	\$388,000	-15%
TDC per Gross Square Foot	\$363	\$390	-7%

Maximum Permanent Debt Sizing

	Max Loan for Stabilized Y1	Max Loan to Stabilized Y15
Net Operating Income (NOI)	\$199,203	\$163,054
Debt Service Coverage Ratio	1.20	1.00
NOI Available for Debt Service	\$166,003	\$163,054
Interest Rate	6.85%	6.85%
Amortization Period (Years)	40	40
Loan Term (Years)	40	40
Maximum Perm Loan Amount	\$2,265,691	\$2,225,454
Actual Perm Loan Amount	\$1,778,000	
Variance	(\$447,454)	

	Year 1	Year 15
Debt Service Coverage Ratio	1.55	1.25
OHFA Minimum DSCR	1.20	1.00

Permanent Sources of Funds

Permanent Sources	Total	Percent of Total
LIHTC Equity	\$8,603,000	43%
Historic Tax Credit Equity		
Permanent First Mortgage	\$1,778,000	9%
Permanent Second Mortgage		
OHFA HDAP Request	\$3,500,000	18%
Deferred Developer Fee	\$1,901,000	10%
Cleveland General Funds	\$2,000,000	10%
Cleveland HOME Funds	\$1,000,000	5%
Federal Directed Earmark	\$1,000,000	5%
N/A		
N/A		
Total Permanent Sources	\$19,782,000	100%