

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-834

Project Name Beverly Terrace
 Site Address: 3314 -3330 W. Beverly Blvd.
 Los Angeles, CA 90004 County: Los Angeles
 Census Tract: 2111.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$677,475	\$0
Recommended:	\$677,475	\$0

Applicant Information

Applicant: Beverly PSH, L.P.
 Contact: Dora Leong Gallo
 Address: 3701 Wilshire Blvd., Ste. 700
 Los Angeles, CA 90010
 Phone: 213-480-0809 Fax: 213-480-4189
 Email: dgallo@acof.org

General Partner(s) or Principal Owner(s): Supportive Housing, LLC
 St. Anne's Maternity Home
 General Partner Type: Nonprofit
 Parent Company(ies): A Community of Friends
 St. Anne's Maternity Home
 Developer: A Community of Friends
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-Based Vouchers
 (39 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 20
 Number of Units @ or below 50% of area median income: 19

Bond Information

Issuer: Los Angeles Housing & Community Investment Department
 Expected Date of Issuance: August 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Marisol Parks

Unit Mix

27 1-Bedroom Units
 13 2-Bedroom Units

 40 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	30%	29%	\$458
14 1 Bedroom	50%	29%	\$458
7 2 Bedrooms	30%	29%	\$550
5 2 Bedrooms	50%	29%	\$550
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,358,907
Construction Costs	\$10,086,930
Rehabilitation Costs	\$0
Construction Contingency	\$1,013,618
Relocation	\$0
Architectural/Engineering	\$609,256
Construction Interest, Perm Financing	\$1,327,539
Legal Fees, Appraisals	\$53,483
Reserves	\$614,077
Other Costs	\$1,066,136
Developer Fee	\$2,059,820
Commercial Costs	\$2,000,909
Total	\$20,190,675

Project Financing

Estimated Total Project Cost:	\$20,190,675
Estimated Residential Project Cost:	\$17,908,367
Estimated Commercial Project Cost	\$2,282,308

Residential

Construction Cost Per Square Foot:	\$299
Per Unit Cost:	\$447,709

Construction Financing

Source	Amount
Wells Fargo Bank	\$10,500,000
LAHCID	\$1,033,392
LACDC - First 5	\$2,000,000
LACDC	\$1,705,000
AHP	\$390,000
General Partner Equity	\$1,250,000
Cost Deferred Until Completion	\$1,029,773
Deferred Accrued Interest	\$279,500
Deferred Developer Fee	\$1,022,887
Tax Credit Equity	\$980,123

Permanent Financing

Source	Amount
LAHCID - HOME	\$6,016,700
LACDC - First 5	\$2,500,000
LACDC	\$1,705,000
AHP	\$390,000
General Partner Equity	\$1,250,000
Deferred Accrued Interest	\$279,500
Deferred Developer Fee	\$1,022,887
Tax Credit Equity	\$7,026,588
TOTAL	\$20,190,675

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,791,956
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$20,529,543
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$677,475
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,059,820
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.03717

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:	\$15,791,956
Actual Eligible Basis:	\$15,791,956
Unadjusted Threshold Basis Limit:	\$9,935,541
Total Adjusted Threshold Basis Limit:	\$24,838,853

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: 48%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 102%

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 3.30% 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: None

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
\$677,475	\$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 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:

- Wellness services and programs providing individualized support for tenants on-site but need not be provided by licensed individuals or organizations.
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site