

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project**

May 17, 2017

REVISED

Rampart Mint, located at 252 S. Rampart Boulevard in Los Angeles, requested and is being recommended for a reservation of \$483,459 in annual federal tax credits to finance the new construction of 22 units of housing serving special needs tenants with rents affordable to households earning 35% AMI of area median income (AMI). The project will be developed by West Hollywood Community Housing Corporation and will be located in Senate District 24 and Assembly District 51.

The project will be receiving rental assistance in the form of the County of Los Angeles Department of Health Services. The project financing includes state funding from the MHP program of HCD.

Project Number CA-17-749

Project Name Rampart Mint
Site Address: 252 S. Rampart Boulevard
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2086.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$483,459	\$0
Recommended:	\$483,459	\$0

Applicant Information

Applicant: 252 Rampart Apartments, L.P.
Contact: Jesse Slansky
Address: 7530 Santa Monica Blvd
West Hollywood, CA 90046
Phone: 323-650-8771 **Fax:** 323-650-4745
Email: jesse@whchc.org

General Partner(s) or Principal Owner(s): West Hollywood Community Housing Corporation
Affordable Living for the Aging
General Partner Type: Nonprofit
Parent Company(ies): West Hollywood Community Housing Corporation
Affordable Living for the Aging
Developer: West Hollywood Community Housing Corporation
Investor/Consultant: Enterprise Community Investment, Inc.
Management Agent: Affordable Living for the Aging

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 23
 No. & % of Tax Credit Units: 22 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HOPWA
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 22

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: September 11, 2017
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

23 SRO/Studio Units
 23 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 SRO/Studio	30%	30%	\$456
1 SRO/Studio	Manager's Unit	Manager's Unit	\$1,200

Projected Lifetime Rent Benefit: \$12,254,880

Project Cost Summary at Application

Land and Acquisition	\$86,963
Construction Costs	\$6,947,786
Rehabilitation Costs	\$0
Construction Contingency	\$701,815
Relocation	\$0
Architectural/Engineering	\$703,700
Const. Interest, Perm. Financing	\$755,108
Legal Fees, Appraisals	\$195,000
Reserves	\$375,949
Other Costs	\$1,059,273
Developer Fee	\$1,492,541
Commercial Costs	\$0
Total	\$12,318,135

Project Financing

Estimated Total Project Cost:	\$12,318,134
Estimated Residential Project Cost:	\$12,318,135
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$645
Per Unit Cost:	\$535,571
True Cash Per Unit Cost*:	\$514,001

Construction Financing

Source	Amount
JP Morgan Chase Bank, N.A.	\$7,690,000
City of Los Angeles - HOME & HOPWA	\$3,110,060
FHLB - AHP	\$220,000
Deferred Developer Fee	\$643,591
Tax Credit Equity	\$654,482

Permanent Financing

Source	Amount
HCD - MHP	\$3,116,344
City of Los Angeles-HOME & HOPWA	\$3,110,060
County of Los Angeles DMH - SNHP	\$1,012,397
FHLB - AHP	\$220,000
Deferred Developer Fee	\$496,117
Tax Credit Equity	\$4,363,216
TOTAL	\$12,318,134

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,442,814
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,875,658
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$483,459
Investor/Consultant:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	\$0.90250

Per Regulation Section 10322(h)(9)(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:	\$11,442,814
Actual Eligible Basis:	\$11,442,814
Unadjusted Threshold Basis Limit:	\$4,670,058
Total Adjusted Threshold Basis Limit:	\$15,914,872

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

100% of Units for Special Needs Population

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 200%

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

This project's cost per unit is currently estimated at \$535,431. It is a small 23 studio-unit, 6-story building with an elevator, ground floor parking for 5 vehicles and 26 bicycles, and community space, which all contribute toward its moderately high per unit cost.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles Housing and Community Investment Department, has completed a site review of this project and strongly 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:

Federal Tax Credits/Annual
\$483,459

State Tax Credits/Total
\$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.