

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2013

Project Number CA-13-878

Project Name Covenant Manor
 Site Address: 600 E. 4th Street
 Long Beach, CA 90802 County: Los Angeles
 Census Tract: 5762.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$708,024	\$0
Recommended:	\$708,024	\$0

Applicant Information

Applicant: Covenant Manor, LP
 Contact: Orest Dolyniuk
 Address: 516 Burchett Street
 Glendale, CA 91203
 Phone: 818-247-0420 Fax: 818-247-3871
 Email: orest.dolyniuk@thebegroup.org

General Partner(s) or Principal Owner(s): Covenant Manor, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Southern California Presbyterian Homes
 Developer: Southern California Presbyterian Homes
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Southern California Presbyterian Homes

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 100
 No. & % of Tax Credit Units: 99 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (99 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 30
 Number of Units @ or below 60% of area median income: 69

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: November 1, 2013
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

97 1-Bedroom Units
 3 2-Bedroom Units

 100 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
29 1 Bedroom	50%	50%	\$776
68 1 Bedroom	60%	60%	\$931
1 2 Bedrooms	50%	50%	\$932
1 2 Bedrooms	60%	60%	\$1,118
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$23,053,800
 Estimated Residential Project Cost: \$23,053,800

Residential

Construction Cost Per Square Foot: \$32
 Per Unit Cost: \$230,538

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$15,000,000
Seller Note	\$4,178,677
NOI during rehab period	\$781,000
Costs Deferred until Perm. Conversion	\$1,525,508
Tax Credit Equity	\$1,568,615

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$10,953,000
Seller Note	\$4,178,677
NOI during rehab period	\$781,000
Tax Credit Equity	\$7,141,123
TOTAL	\$23,053,800

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,813,519
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$15,868,176
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,257,575
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$15,868,176
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$200,242
Maximum Annual Federal Credit, Acquisition:	\$507,782
Total Maximum Annual Federal Credit:	\$708,024
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00860

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:	\$20,681,695
Actual Eligible Basis:	\$20,681,695
Unadjusted Threshold Basis Limit:	\$20,619,713
Total Adjusted Threshold Basis Limit:	\$28,867,598

Adjustments to Basis Limit:

- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

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 3.20% 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: None

Local Reviewing Agency:

The Local Reviewing Agency, City of Long Beach, 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	State Tax Credits/Total
\$708,024	\$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