

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 16, 2014

Project Number CA-14-859

Project Name LDK Senior Apartments

Site Address:	<u>Site 1</u> 900 & 906 Crenshaw Blvd. Los Angeles, CA 90019 County: Los Angeles	<u>Site 2</u> 540-542 S. Kingley Dr. Los Angeles, CA 90020 County: Los Angeles
Census Tract:	2127.01	2118.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$859,346	\$0
Recommended:	\$859,346	\$0

Applicant Information

Applicant: LDK Senior Apartments, L.P.
 Contact: Laura Blosser
 Address: 231 East Third Street, Suite G106
 Los Angeles, CA 90013 CA 90013
 Phone: 213-473-1691 Fax: 213-473-1681
 Email: lblosser@ltsc.org

General Partner(s) or Principal Owner(s): LTSC Community Development Corporation
 Korean Resource Center, Inc.
 Decro Alpha Corporation
 General Partner Type: Nonprofit
 Parent Company(ies): LTSC Community Development Corporation
 Korean Resource Center, Inc.
 Decro Alpha Corporation
 Developer: LTSC Comm. Development Corp.
 Investor/Consultant: National Equity Fund
 Management Agent: Levine Management Group, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 67
 No. & % of Tax Credit Units: 65 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 7
 Number of Units @ or below 50% of area median income: 58

Bond Information

Issuer: HCID - City of Los Angeles
 Expected Date of Issuance: October 16, 2014
 Credit Enhancement: N/A

Information

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

Unit Mix

16 SRO/Studio Units
 51 1-Bedroom Units

 67 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Site 1</u>			
1 SRO/Studio	30%	30%	\$427
3 1 Bedroom	30%	30%	\$458
5 SRO/Studio	45%	37%	\$530
4 1 Bedroom	45%	40%	\$606
3 SRO/Studio	50%	45%	\$636
15 1 Bedroom	50%	48%	\$727
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
<u>Site 2</u>			
1 SRO/Studio	30%	30%	\$427
2 1 Bedroom	30%	30%	\$458
4 SRO/Studio	45%	37%	\$530
18 1 Bedroom	45%	40%	\$606
2 SRO/Studio	50%	45%	\$636
7 1 Bedroom	50%	48%	\$727
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$25,313,852
Estimated Residential Project Cost:	\$25,313,852

Residential

Construction Cost Per Square Foot:	\$250
Per Unit Cost:	\$377,819

Construction Financing

Source	Amount
Citi Community Capital - TE Bonds	\$14,000,000
HCID LA - HOME	\$3,778,873
HCID LA successor to CRALA-RDA	\$3,361,024
HCD - IIG	\$2,093,566
AHP	\$650,000
Deferred Costs and Fees	\$152,400
Tax Credit Equity	\$1,277,989

Permanent Financing

Source	Amount
Citi Community Capital - TE Bonds	\$212,000
HCID LA - HOME	\$7,687,337
HCID LA successor to CRALA-RDA	\$5,051,024
HCD - IIG	\$2,093,566
County of Los Angeles CDC	\$1,100,000
AHP	\$650,000
Tax Credit Equity	\$8,519,925
TOTAL	\$25,313,852

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,673,663
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,575,762
Applicable Rate:	3.36%
Maximum Annual Federal Credit:	\$859,346
Approved Developer Fee (in Project Cost & Eligible Basis):	\$837,000
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.99144

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	\$19,673,663
Actual Eligible Basis:	\$19,673,663
Unadjusted Threshold Basis Limit:	\$14,155,699
Total Adjusted Threshold Basis Limi	\$34,823,020

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 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: 89%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 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 3.36% 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 involves the new construction of two (2) scattered-site buildings. The units will be supported by a range of services targeted to seniors. Some of these services include, but not limited to, the assistance of a full-time Case Manager and a part-time Resident Services Coordinator.

Local Reviewing Agency:

The Local Reviewing Agency, City of Los Angeles - the 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	State Tax Credits/Total
\$859,346	\$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