

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 10, 2014**

**Project Number** CA-14-899

**Project Name** Wilshire Manor  
 Site Address: 616 South Normandie Ave.  
 Los Angeles, CA 90005 County: Los Angeles  
 Census Tract: 2121.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,894,974	\$0
Recommended:	\$1,894,974	\$0

**Applicant Information**

Applicant: Wilshire Manor L.P.  
 Contact: Anthony Yannatta  
 Address: 11812 San Vicente Blvd. #600  
 Los Angeles, CA 90049  
 Phone: 310-820-4888 Fax: 310-207-6986  
 Email: anthony@tsahousing.com

General Partner(s) or Principal Owner(s): Housing Corporation of America  
 General Partner Type: Nonprofit  
 Parent Company(ies): Housing Corporation of America  
 Developer: Thomas Safran & Associates Development, Inc.  
 Investor/Consultant: Wells Fargo Community Lending  
 Management Agent: Thomas Safran & Associates, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 283  
 No. & % of Tax Credit Units: 280 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (117 Units - 42%) /  
 HUD Section 8 Project-based SPRAC Contract (163 Units - 58%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 57  
 Number of Units @ or below 60% of area median income: 223

**Bond Information**

Issuer: City of Los Angeles Housing & Community Investment Department  
 Expected Date of Issuance: January 1, 2015  
 Credit Enhancement: PNC Bank N.A. - HUD FHA 221(d)(4) Mortgage Insurance

**Information**

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

**Unit Mix**

208 SRO/Studio Units  
 74 1-Bedroom Units  
 1 2-Bedroom Units  


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 283 Total Units

<u>Unit Type &amp; 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>
42 SRO/Studio	50%	50%	\$713
15 1 Bedroom	50%	50%	\$764
166 SRO/Studio	60%	60%	\$856
57 1 Bedroom	60%	60%	\$917
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$52,412,310  
 Estimated Residential Project Cost: \$52,412,310

**Residential**

Construction Cost Per Square Foot: \$246  
 Per Unit Cost: \$185,203

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank / Tax-Exempt Bonds	\$27,000,000
PNC Bank / HUD 221(d)(4)	\$1,771,000
NOI During Construction	\$1,620,592
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$16,494,911

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
PNC Bank / HUD 221(d)(4)	\$28,771,000
NOI During Construction	\$1,620,592
Deferred Developer Fee	\$2,123,491
Tax Credit Equity	\$19,897,227
<b>TOTAL</b>	<b>\$52,412,310</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$38,810,718
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$8,769,909
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$50,453,933
Qualified Basis (Acquisition):	\$8,769,909
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$1,600,306
Maximum Annual Federal Credit, Acquisition:	\$294,668
Total Maximum Annual Federal Credit:	\$1,894,974
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Wells Fargo Community Lending
Federal Tax Credit Factor:	\$1.05000

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:	\$47,580,627
Actual Eligible Basis:	\$47,580,627
Unadjusted Threshold Basis Limit:	\$55,771,610
Total Adjusted Threshold Basis Limit:	\$72,503,093

**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: 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 was originally built under the HUD 202 program with a loan that matures in 2017. The project has an existing 5-year HUD Section 8 project-based contract, which will be renewed in 2015, covering 117 (42%) of the 280 units. In addition, the project will have a new HUD Section 8 project-based Senior Preservation Rental Assistance Contract (SPRAC) on the remaining 163 units (58%) which were previously unassisted.

The applicant's estimate of the 3-month operating expense reserve in the sources and uses budget is slightly below the required amount. At the final placed-in-service submission to TCAC, prior to the issuance of the IRS 8609 forms, the applicant's documentation must show that the project meets the 3-month operating expense reserve requirement under TCAC Regulation Section 10327(c)(7)(C).

**Local Reviewing Agency:**

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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,894,974</b>	<b>\$0</b>

**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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year