

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**May 20, 2015**

**Project Number** CA-15-831

**Project Name** Pilgrim Tower Apartments

Site Address: 1207 S. Vermont Avenue

Los Angeles, CA 90006

County: Los Angeles

Census Tract: 1912.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,122,721	\$0
Recommended:	\$1,122,721	\$0

**Applicant Information**

Applicant: Pilgrim Tower Apartments, L.P.

Contact: Howard Hudson

Address: 3204 Rosemead Blvd., Suite 100

El Monte, CA 91731

Phone: 323-337-4333

Fax: 818-729-8220

Email: hrhcpa@silcom.com

General Partner(s) or Principal Owner(s): Pilgrim Tower Apartments, LLC

General Partner Type: Nonprofit

Parent Company(ies): Brookmore Apartment Corporation

Developer: Brookmore Apartment Corporation

Investor/Consultant: Hunt Capital Partners, LLC

Management Agent: CARING Housing Ministries

**Project Information**

Construction Type: Acquisition & Rehabilitation

Total # Residential Buildings: 1

Total # of Units: 111

No. & % of Tax Credit Units: 108 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (90% - 97 units) /  
FHA 221(d) Loan

55-Year Use/Affordability: Yes

Number of Units @ or below 50% of area median income: 11

Number of Units @ or below 60% of area median income: 97

**Bond Information**

Issuer: City of Los Angeles Housing & Community Investment Department  
 Expected Date of Issuance: July 30, 2015  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

36 SRO/Studio Units  
 75 1-Bedroom Units  


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 111 Total Units

<b>Unit Type &amp; Number</b>	<b>2015 Rents Targeted % of Area Median Income</b>	<b>2015 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
3 SRO/Studio	50%	49%	\$713
33 SRO/Studio	60%	49%	\$713
8 1 Bedroom	50%	49%	\$764
64 1 Bedroom	60%	49%	\$764
3 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$16,300,000
Construction Costs	\$0
Rehabilitation Costs	\$9,883,848
Construction Contingency	\$1,353,000
Relocation	\$805,000
Architectural/Engineering	\$549,475
Construction Interest, Perm Financing	\$1,876,397
Legal Fees, Appraisals	\$237,800
Reserves	\$1,069,039
Other Costs	\$857,195
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$35,431,754</b>

**Project Financing**

Estimated Total Project Cost:	\$35,431,754
Estimated Residential Project Cost:	\$35,431,754

**Residential**

Construction Cost Per Square Foot:	\$137
Per Unit Cost:	\$319,205

**Construction Financing**

Source	Amount
Red Capital - FHA 221(d) Loan	\$7,900,000
Seller Financing	\$15,985,000
Tax Credit Investor - Bridge Loan	\$5,335,780
Tax Credit Equity	\$6,210,974

**Permanent Financing**

Source	Amount
Red Capital - FHA 221(d) Loan	\$7,900,000
Seller Financing	\$15,400,000
Reserves/Income During Rehab	\$735,000
Existing Reserves	\$158,000
Deferred Developer Fee	\$28,385
Tax Credit Equity	\$11,210,369
<b>TOTAL</b>	<b>\$35,431,754</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$16,285,464
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,975,809
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,171,103
Qualified Basis (Acquisition):	\$13,975,809
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$661,519
Maximum Annual Federal Credit, Acquisition:	\$461,202
Total Maximum Annual Federal Credit:	\$1,122,721
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	\$0.99850

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:	\$30,261,273
Actual Eligible Basis:	\$30,261,273
Unadjusted Threshold Basis Limit:	\$23,177,151
Total Adjusted Threshold Basis Limit:	\$33,067,930

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

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: 10%

**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:** The project has an existing HUD Section 8 project-based Housing Assistance Payment (HAP) contract on 97 of the units (90%).

The amount of the developer fee cost included under the rehabilitation eligible basis exceeded the 15% rehabilitation eligible basis limitation outlined in TCAC Regulation Section 10327(c)(2). TCAC has adjusted the amount included in rehabilitation eligible basis accordingly.

The applicant requested a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5%. TCAC has approved the waiver request to provide 5% mobility feature units instead of 10%.

**Local Reviewing Agency:**

The Local Reviewing Agency, the City of Los Angeles, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,122,721</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.

**Additional Conditions:** None.