CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

E. Boyd Esters Manor, located at 1101 N. Central Avenue in Compton, requested and is being recommended for a reservation of $385,290 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by BlueGreen Preservation and Development LLC and is located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number	CA-15-937		
Project Name	E. Boyd Esters Manor		
Site Address:	1101 N. Central Avenue		
	Compton, CA 90222	County:	Los Angeles
Census Tract:	5412.000		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$385,290	$0
Recommended:	$385,290	$0

Applicant Information

Applicant:	E. Boyd Esters Manor Preservation, L.P
Contact:	Blair Williams
Address:	1101 N. Central Avenue Compton, CA 90222
Phone:	(951) 214-3103
Email:	brwtwo@aol.com

General Partner(s) or Principal Owner(s):	Rosecrans Manor, a California Nonprofit Corporation
General Partner Type:	Nonprofit
Parent Company(ies):	Rosecrans Manor, a California Nonprofit Corporation
Developer:	BlueGreen Preservation and Development, LLC
Investor/Consultant:	City Real Estate Advisors, Inc.
Management Agent:	Monfric, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	50
No. & % of Tax Credit Units:	49 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (100% - 49 Units) / HUD Section 202 Loan
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 29

Bond Information

Issuer:	California Public Finance Authority
Expected Date of Issuance:	March 16, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

12	SRO/Studio Units
38	1-Bedroom Units
50	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	SRO/Studio	50%	20%	$296
12	1 Bedroom	50%	19%	$296
4	SRO/Studio	60%	21%	$301
25	1 Bedroom	60%	19%	$301
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$7,000,000
Construction Costs	$0
Rehabilitation Costs	$1,774,999
Construction Contingency	$125,000
Relocation	$75,000
Architectural/Engineering	$180,000
Construction Interest, Perm Financing	$963,936
Legal Fees, Appraisals	$198,600
Reserves	$321,150
Other Costs	$356,681
Developer Fee	$1,415,698
Commercial Costs	$0
Total	**$12,411,064**

Project Financing

Estimated Total Project Cost:	$12,411,064
Estimated Residential Project Cost:	$12,411,064

Residential

Construction Cost Per Square Foot:	$53
Per Unit Cost:	$248,221

Construction Financing

Source	Amount
Redstone - Tax Exempt Bonds	$7,500,000
HUD Section 202 Loan	$2,430,222
Seller Note	$634,573
Deferred Developer Fee	$707,849
Tax Credit Equity	$1,138,420

Permanent Financing

Source	Amount
Redstone - Tax Exempt Bonds	$2,993,452
HUD Section 202 Loan	$2,430,222
Seller Note	$2,186,841
Income from Operations	$297,967
Deferred Developer Fee	$707,849
Tax Credit Equity	$3,794,733
TOTAL	**$12,411,064**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,777,289
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,937,496
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,910,476
Qualified Basis (Acquisition):	$6,937,496
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$156,353
Maximum Annual Federal Credit, Acquisition:	$228,937
Total Maximum Annual Federal Credit:	$385,290
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,415,698
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	$0.98490

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:	$10,714,785
Actual Eligible Basis:	$10,714,785
Unadjusted Threshold Basis Limit:	$11,268,494
Total Adjusted Threshold Basis Limit:	$15,775,892

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 40%

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 applicant's estimate of the contractor overhead, profit and general requirement costs and eligible basis slightly exceed the TCAC 14% limit of Regulation Section 10327(c)(1). The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking the documented experience with IRC Section 42 requirements using the minimum scoring standards at TCAC Regulation Sections 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. The general partner, Rosecrans Manor, a California Nonprofit Corporation, and the management company, Monfric, Inc., shall complete training as prescribed by TCAC prior to a project's placing in service.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
$385,290	**$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.