

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Blue Hibiscus, located at 1125 North Detroit Street in the West Hollywood, requested and is being recommended for a reservation of \$628,465 in annual federal tax credits and requested \$1,611,448 in total state tax credits, but is being recommended for a reservation of \$1,571,162 in total state tax credits (see "**Special Issues/Other Significant Information**" section), to finance the new construction of 21 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by West Hollywood Community Housing Corporation and will be located in Senate District 26 and Assembly District 50.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the IIG program of HCD.

Project Number CA-16-014

Project Name Blue Hibiscus
Site Address: 1125 North Detroit Street
 West Hollywood, CA 90046 County: Los Angeles
Census Tract: 7001.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$628,465	\$1,611,448
Recommended:	\$628,465	\$1,571,162

Applicant Information

Applicant: Blue Hibiscus, L.P.
Contact: Jesse Slansky
Address: 7530 Santa Monica Blvd., Ste #1
 West Hollywood, CA 90046
Phone: 323-650-8771 Fax: 323-650-4745
Email: jesse@whhc.org

General Partner(s) / Principal Owner(s): Blue Hibiscus LLC
General Partner Type: Nonprofit
Parent Company(ies): West Hollywood Community Housing Corporation
Developer: West Hollywood Community Housing Corporation
Investor/Consultant: Union Bank
Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 22
 No. & % of Tax Credit Units: 21 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (21 units - 100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 18 80 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Persons with disabilities, persons with HIV/AIDS, and transition age youth
 % of Special Need Units: 16 units 76%
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

22 1-Bedroom Units
 22 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 1 Bedroom	30%	30%	\$466
1 1 Bedroom	30%	24%	\$373
1 1 Bedroom	35%	32%	\$505
1 1 Bedroom	45%	35%	\$548
1 1 Bedroom	60%	18%	\$276
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,383,500
Construction Costs	\$4,581,994
Rehabilitation Costs	\$0
Construction Contingency	\$303,907
Relocation	\$775,465
Architectural/Engineering	\$592,000
Construction Interest, Perm Financing	\$728,909
Legal Fees, Appraisals	\$144,750
Reserves	\$190,992
Other Costs	\$750,518
Developer Fee	\$997,866
Commercial Costs	\$0
Total	\$12,449,901

Project Financing

Estimated Total Project Cost:	\$12,449,901
Estimated Residential Project Cost:	\$12,449,901
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$230
Per Unit Cost:	\$565,905
Effective Per Unit Cost*:	\$565,905

Construction Financing

Source	Amount
Union Bank	\$6,100,000
County of Los Angeles	\$2,404,500
City of West Hollywood Loan 1	\$1,566,519
City of West Hollywood Loan 2	\$1,000,000
HCD - IIG	\$880,000
Deferred Costs and Fees	\$290,992
Tax Credit Equity	\$207,890

Permanent Financing

Source	Amount
County of Los Angeles	\$2,404,500
City of West Hollywood	\$2,566,519
HCD - IIG	\$880,000
Tax Credit Equity	\$6,598,882
TOTAL	\$12,449,901

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,371,495
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$6,982,944
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$628,465
Total State Credit:	\$1,571,162
Approved Developer Fee (in Project Cost & Eligible Basis):	\$997,866
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.90000
State Tax Credit Factor:	\$0.60000

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:	\$5,371,495
Actual Eligible Basis:	\$7,650,306
Unadjusted Threshold Basis Limit:	\$4,245,802
Total Adjusted Threshold Basis Limit:	\$5,933,748

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Environmental Mitigation
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	68.237%

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 9.0% 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 tax credit factor for the state tax credits is \$0.585, which is slightly below the TCAC minimum of \$0.60. TCAC adjusted the tax credit factor accordingly resulting in a small reduction to the total state tax credit recommendation to \$1,571,162 from the applicant's requested amount of \$1,611,468.

The applicant states that they will restrict 16 of the units (76%) for special needs tenants with mental illness, persons with HIV/AIDS, and transition-age-youth that are also homeless. The balance of the affordable units (5 units) will not be restricted to special needs tenants in order for the project to accommodate returning tenants who previously lived at the site (demolished to make way for this new construction project) who may return but may not qualify as special needs tenants.

The per unit cost for the project is \$565,905 and is due to the project being a small 22-unit project with parking beneath the units in West Hollywood.

The project will have HUD Section 8 project-based vouchers on all 21 affordable units from the Housing Authority of the County of Los Angeles.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, the City of West Hollywood, 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
\$628,465	\$1,571,162

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.