

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

November 16, 2016

REVISED

The Salvation Army Bell Oasis Apartments, located at 5600 Rickenbacker Road in Bell, requested and is being recommended for a reservation of \$801,170 in annual federal tax credits to finance the new construction of 64 units of housing serving special needs tenants with rents affordable to households earning 30% AMI of area median income (AMI). The project will be developed by The Salvation Army and will be located in Senate District 33 and Assembly District 63.

The project will be receiving rental assistance in the form of HUD Section 8 project-based vouchers and HUD Veterans Affairs Supportive Housing (VASH) project-based vouchers. The project financing includes state funding from the VHHP program of HCD and MHSA through CalHFA.

Project Number CA-16-965

Project Name The Salvation Army Bell Oasis Apartments

Site Address: 48046 K Street
Bell, CA 90201 County: Los Angeles

Census Tract: 5323.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$801,170	\$0
Recommended:	\$801,170	\$0

Applicant Information

Applicant: The Salvation Army Bell Oasis Apartments, L.P.
Contact: Alen Davtian
Address: 180 E. Ocean Blvd., Suite 500
Long Beach, CA 90802
Phone: 562-264-3619 Fax: 562-264-3718
Email: alen.davtian@usw.salvationarmy.org

General Partner(s) or Principal Owner(s): The Salvation Army Westwood Village Inc.
General Partner Type: Nonprofit
Parent Company(ies): The Salvation Army
Developer: The Salvation Army
Investor/Consultant: Enterprise Community Partners
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 65
 No. & % of Tax Credit Units: 64 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (52% - 33 units) / HUD VASH project-based vouchers (48% - 31 units)
 Number of Units @ or below 50% of area median income: 32
 Number of Units @ or below 60% of area median income: 32

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: December 20, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Alex Ninh

Unit Mix

64 SRO/Studio Units
 1 2-Bedroom Units

 65 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
32 SRO/Studio	50%	30%	\$456
32 SRO/Studio	60%	30%	\$456
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,000

Project Cost Summary at Application

Land and Acquisition	\$1,475,000
Construction Costs	\$14,010,554
Rehabilitation Costs	\$0
Construction Contingency	\$1,107,284
Relocation	\$0
Architectural/Engineering	\$1,005,686
Const. Interest, Perm. Financing	\$1,313,844
Legal Fees, Appraisals	\$200,000
Reserves	\$1,321,747
Other Costs	\$1,319,698
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$23,153,813

Project Financing

Estimated Total Project Cost:	\$23,153,813
Estimated Residential Project Cost:	\$23,153,813
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$268
Per Unit Cost:	\$356,213
True Cash Per Unit Cost*:	\$333,520

Construction Financing

Source	Amount
US Bank	\$12,000,000
Los Angeles - CDC	\$2,572,750
CalHFA - MHSA	\$1,200,000
GP Land Contribution	\$1,475,000
General Partner Loan	\$2,604,308
Deferred Costs	\$2,103,232
Tax Credit Equity	\$1,198,524

Permanent Financing

Source	Amount
HCD - VHHP	\$4,506,995
Los Angeles - CDC	\$2,572,750
CalHFA - MHSA	\$1,200,000
AHP	\$1,500,000
GP Land Contribution	\$1,475,000
General Partner Loan	\$2,604,308
Accrued Interest	\$229,521
Tax Credit Equity	\$9,065,239
TOTAL	\$23,153,813

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,322,329
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,119,028
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$801,170
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Enterprise Community Partners
Federal Tax Credit Factor:	\$1.13150

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:	\$19,322,329
Actual Eligible Basis:	\$19,322,329
Unadjusted Threshold Basis Limit:	\$12,600,288
Total Adjusted Threshold Basis Limit:	\$23,436,537

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

100% of Units for Special Needs Population

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2013 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

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: 50%

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 3.25% 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: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Bell, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$801,170	\$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

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs:
Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes GOLD/SILVER standard.
- The project commits to irrigate only with reclaimed water, greywater, or rainwater (excluding community gardens)