

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 16, 2016**

Culver City Rotary Plaza, located at 5100 Overland Avenue in Culver City, requested and is being recommended for a reservation of \$1,242,207 in annual federal tax credits to finance the acquisition and rehabilitation of 99 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Retirement Housing Foundation and is located in Senate District 30 and Assembly District 54.

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

**Project Number** CA-16-973

**Project Name** Culver City Rotary Plaza  
 Site Address: 5100 Overland Avenue  
 Culver City, CA 90230 County: Los Angeles  
 Census Tract: 7025.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,242,207	\$0
Recommended:	\$1,242,207	\$0

**Applicant Information**

Applicant: Culver City Housing Partners, L.P.  
 Contact: Anders Plett  
 Address: 911 North Studebaker Road  
 Long Beach, CA 90815  
 Phone: 562-257-5309 Fax: 562-493-7042  
 Email: anders.plett@rhf.org

General Partner(s) or Principal Owner(s): Culver City Housing, LLC  
 General Partner Type: For Profit  
 Parent Company(ies): Retirement Housing Foundation  
 Developer: Retirement Housing Foundation  
 Investor/Consultant: Union Bank  
 Management Agent: Foundation Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 100  
 No. & % of Tax Credit Units: 99 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (100% - 99 Units)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 52  
 Number of Units @ or below 60% of area median income: 47

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: January 16, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

25 SRO/Studio Units  
 75 1-Bedroom Units  


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 100 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 SRO/Studio	50%	50%	\$760
11 SRO/Studio	60%	60%	\$912
38 1 Bedroom	50%	50%	\$814
36 1 Bedroom	60%	60%	\$977
1 1 Bedroom	Manager's Unit	Manager's Unit	\$947

**Project Cost Summary at Application**

Land and Acquisition	\$28,900,000
Construction Costs	\$0
Rehabilitation Costs	\$9,539,632
Construction Contingency	\$936,463
Relocation	\$1,457,450
Architectural/Engineering	\$495,000
Const. Interest, Perm. Financing	\$2,119,652
Legal Fees, Appraisals	\$280,000
Reserves	\$595,244
Other Costs	\$825,012
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$47,648,453</b>

**Project Financing**

Estimated Total Project Cost:	\$47,648,453
Estimated Residential Project Cost:	\$47,648,453
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$196
Per Unit Cost:	\$476,485
True Cash Per Unit Cost*:	\$348,249

**Construction Financing**

Source	Amount
Union Bank	\$23,870,859
Seller Carryback Loan	\$21,000,000
Existing Reserves	\$200,000
Other Deferred Fees	\$560,835
Deferred Developer Fee	\$1,875,000
General Partner Equity	\$1,404
Tax Credit Equity	\$140,355

**Permanent Financing**

Source	Amount
CCRC	\$20,587,952
Seller Carryback Loan	\$12,823,562
Existing Reserves	\$200,000
Tax Credit Equity	\$14,036,939
<b>TOTAL</b>	<b>\$47,648,453</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$14,034,786
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$21,189,936
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$18,245,222
Qualified Basis (Acquisition):	\$21,189,936
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$553,534
Maximum Annual Federal Credit, Acquisition:	\$688,673
Total Maximum Annual Federal Credit:	\$1,242,207
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$1.13000

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:	\$35,224,722
Actual Eligible Basis:	\$35,224,722
Unadjusted Threshold Basis Limit:	\$21,480,200
Total Adjusted Threshold Basis Limit:	\$35,442,330

**Adjustments to Basis Limit**

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

- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

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: 52%

**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 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,242,207</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 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