

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 17, 2017

REVISED

Beachwood Apartments, located at 475 West 5th Street and 505 West 6th Street in Long Beach, requested and is being recommended for a reservation of \$564,950 in annual federal tax credits to finance the acquisition and rehabilitation of 44 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Century Affordable Development, Inc. and is located in Senate District 33 and Assembly District 70.

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

Project Number CA-17-733

Project Name Beachwood Apartments
Site Address: 475 West 5th Street and 505 West 6th Street
Long Beach, CA 90802 County: Los Angeles
Census Tract: 5759.02 and 5759.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$564,950	\$0
Recommended:	\$564,950	\$0

Applicant Information

Applicant: Century Beachwood Apartments, L.P.
Contact: Oscar Alvarado
Address: 1000 Corporate Pointe
Culver City, CA 90230
Phone: (310) 642-2079 Fax: (310) 642-2083
Email: oalvarado@centuryhousing.org

General Partner(s) or Principal Owner(s): CADI X, LLC
General Partner Type: Nonprofit
Parent Company(ies): Century Affordable Development, Inc.
Developer: Century Affordable Development, Inc.
Investor/Consultant: California Housing Partnership Corporation
Management Agent: SK Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 45
 No. & % of Tax Credit Units: 44 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME /
 HUD Section 8 Project-base Contract (44 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 9
 Number of Units @ or below 60% of area median income: 35

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: July 15, 2017
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Los Angeles
 TCAC Project Analyst: Lucy Vang

Unit Mix

33 1-Bedroom Units
12 2-Bedroom Units
 45 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 1 Bedroom	50%	50%	\$814
26 1 Bedroom	60%	60%	\$977
3 2 Bedrooms	50%	50%	\$977
9 2 Bedrooms	60%	60%	\$1,173
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$23,375,880

Project Cost Summary at Application

Land and Acquisition	\$12,885,000
Construction Costs	\$0
Rehabilitation Costs	\$2,096,640
Construction Contingency	\$263,664
Relocation	\$0
Architectural/Engineering	\$123,000
Const. Interest, Perm. Financing	\$1,162,350
Legal Fees, Appraisals	\$112,500
Reserves	\$194,166
Other Costs	\$323,000
Developer Fee	\$2,133,470
Commercial Costs	\$0
Total	\$19,293,790

Project Financing

Estimated Total Project Cost:	\$19,293,790
Estimated Residential Project Cost:	\$19,293,790
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$63
Per Unit Cost:	\$428,751
True Cash Per Unit Cost*:	\$336,151

Construction Financing

Source	Amount
Citi Community Capital	\$15,000,000
City of Long Beach - HOME	\$2,100,000
CADI Seller Carryback	\$46,900
Purchased Reserves	\$103,539
General Partner	\$100
Deferred Cost	\$1,586,990
Tax Credit Equity	\$456,261

Permanent Financing

Source	Amount
Citi Community Capital	\$7,102,000
City of Long Beach - HOME	\$2,100,000
Accrued Interest - HOME	\$46,900
CADI Seller Carryback	\$3,730,000
Purchased Reserves	\$103,539
General Partner	\$100
Income from Operations	\$505,263
Deferred Developer Fee	\$437,000
Tax Credit Equity	\$5,268,988
TOTAL	\$19,293,790

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,421,530
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$12,935,075
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,447,989
Qualified Basis (Acquisition):	\$12,935,075
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$144,560
Maximum Annual Federal Credit, Acquisition:	\$420,390
Total Maximum Annual Federal Credit:	\$564,950
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,133,470
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.93265

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:	\$16,356,605
Actual Eligible Basis:	\$16,356,605
Unadjusted Threshold Basis Limit:	\$11,114,430
Total Adjusted Threshold Basis Limit:	\$16,671,645

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

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: 20%

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

The project involves the substantial rehabilitation of 2 scattered-sites. The two sites will be treated as a single site within 100 yards of each other with a total of 1 on-site manager per TCAC regulation 10325(f)(7)(j).

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
\$564,950	\$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