

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 17, 2017

Sun Valley Senior Veterans Apartments, located at 9041 N. Laurel Canyon Blvd. and 12505-12515 W. Jerome Street in Los Angeles, requested and is being recommended for a reservation of \$1,027,885 in annual federal tax credits to finance the new construction of 94 units of housing serving special needs tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by East LA Community Corporation and is located in Senate District 18 and Assembly District 39.

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 VHHP and AHSC programs of HCD.

Project Number CA-17-740

Project Name Sun Valley Senior Veterans Apartments
 Site Address: 9041 N. Laurel Canyon Blvd. and 12505-12515 W. Jerome Street
 Los Angeles, CA 91352 County: Los Angeles
 Census Tract: 1212.1

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,027,885	\$0
Recommended:	\$1,027,885	\$0

Applicant Information

Applicant: East LA Community Corporation
 Contact: Ernesto Espinoza
 Address: 2917 E. 1st Street, Suite 101
 Los Angeles, CA 90033
 Phone: 323-269-4214 Fax: 323-261-1065
 Email: eespinoza@elacc.org

General Partner(s) or Principal Owner(s): East LA Community Corporation
 New Directions Housing, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): East LA Community Corporation
 New Directions Housing, LLC
 Developer: East LA Community Corporation
 Investor/Consultant: Enterprise Community Investments
 Management Agent: John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 96
 No. & % of Tax Credit Units: 94 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (54 Units - 57%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 54
 Number of Units @ or below 50% of area median income: 40

Bond Information

Issuer: HCID-LA
 Expected Date of Issuance: September 27, 2017
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Carmen Doonan

Unit Mix

88 1-Bedroom Units
 8 2-Bedroom Units

 96 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
38 1 Bedroom	50%	50%	\$814
4 1 Bedroom	30%	16%	\$260
46 1 Bedroom	30%	16%	\$260
2 2 Bedrooms	50%	50%	\$977
2 2 Bedrooms	30%	13%	\$260
2 2 Bedrooms	30%	13%	\$260
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$42,569,472

Project Cost Summary at Application

Land and Acquisition	\$3,951,430
Construction Costs	\$16,900,298
Rehabilitation Costs	\$0
Construction Contingency	\$845,014
Relocation	\$0
Architectural/Engineering	\$236,399
Const. Interest, Perm. Financing	\$3,187,653
Legal Fees, Appraisals	\$175,000
Reserves	\$869,765
Other Costs	\$1,606,195
Developer Fee	\$3,173,327
Commercial Costs	\$0
Total	\$30,945,081

Project Financing

Estimated Total Project Cost:	\$30,945,081
Estimated Residential Project Cost:	\$30,945,081
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$212
Per Unit Cost:	\$322,345
True Cash Per Unit Cost*:	\$315,331

Construction Financing

Source	Amount
JP Morgan Chase	\$29,300,000
Deferred Costs	\$1,351,624
Tax Credit Equity	\$293,457

Permanent Financing

Source	Amount
JP Morgan Chase	\$4,087,083
HCD - AHSC Cap and Trade	\$7,520,531
HCD - AHSC HRI Grant	\$1,148,938
HCD - VHHP	\$8,000,000
Deferred Developer Fee	\$673,328
Tax Credit Equity	\$9,515,201
TOTAL	\$30,945,081

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,328,845
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$31,627,499
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,027,885
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,173,327
Investor/Consultant:	Enterprise Community Investments
Federal Tax Credit Factor:	\$0.92571

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:	\$24,328,845
Actual Eligible Basis:	\$24,328,845
Unadjusted Threshold Basis Limit:	\$22,860,880
Total Adjusted Threshold Basis Limit:	\$63,096,029

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 42%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 114%

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, the City of Los Angeles, 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
\$1,027,885	\$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:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- 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: