

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

E. Boyd Esters Manor, located at 1101 N Central Avenue in Compton, requested and is being recommended for a reservation of \$383,031 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving special needs tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Rosecrans Manor and is located in Senate District 35 and Assembly District 64.

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

**Project Number** CA-17-750

**Project Name** E. Boyd Esters Manor  
**Site Address:** 1101 N Central Ave.  
 Compton, CA 90220 County: Los Angeles  
**Census Tract:** 5412.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$383,031	\$0
Recommended:	\$383,031	\$0

**Applicant Information**

**Applicant:** Southeast Senior Housing Preservation, L.P.  
**Contact:** Delores Zurita  
**Address:** 500 S. Grand Ave. 22nd Floor  
 Los Angeles, CA 90071  
**Phone:** (310) 689 9925  
**Email:** deloreszurita@yahoo.com

**General Partner(s) or Principal Owner(s):** Rosecrans Manor, a California Nonprofit Corporation  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Rosecrans Manor, a California Nonprofit Corporation  
**Developer:** Rosecrans Manor, a California Nonprofit Corporation  
**Investor/Consultant:** City Real Estate Advisors, Inc.  
**Management Agent:** Monfric, Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 50  
 No. & % of Tax Credit Units: 49 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (100% - 49 Units)  
 HUD Section 202  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 20  
 Number of Units @ or below 60% of area median income: 29

**Bond Information**

Issuer: California Public Finance Authority  
 Expected Date of Issuance: July 1, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Special Needs  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Diane SooHoo

**Unit Mix**

12 SRO/Studio Units  
38 1-Bedroom Units  
 50 Total Units

<u>Unit Type</u>	<u>2016 Rents Targeted</u>	<u>2016 Rents Actual</u>	<u>Proposed</u>
6 SRO/Studio	50%	20%	\$297
14 1 Bedroom	50%	19%	\$304
6 SRO/Studio	60%	20%	\$297
23 1 Bedroom	60%	19%	\$304
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$7,021,476

**Project Cost Summary at Application**

Land and Acquisition	\$8,450,000
Construction Costs	\$0
Rehabilitation Costs	\$1,275,000
Construction Contingency	\$125,000
Relocation	\$75,000
Architectural/Engineering	\$180,000
Const. Interest, Perm. Financing	\$1,052,427
Legal Fees, Appraisals	\$288,600
Reserves	\$810,218
Other Costs	\$411,462
Developer Fee	\$1,537,249
Commercial Costs	\$0
<b>Total</b>	<b>\$14,204,956</b>

**Project Financing**

Estimated Total Project Cost:	\$14,204,956
Estimated Residential Project Cost:	\$14,204,956
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$38
Per Unit Cost:	\$284,099
True Cash Per Unit Cost*:	\$213,716

**Construction Financing**

Source	Amount
Red Stone Capital	\$7,184,171
HUD Section 202 Loan	\$2,430,222
Seller Note	\$3,519,140
Tax Credit Equity	\$1,071,423

**Permanent Financing**

Source	Amount
Red Stone Capital	\$4,419,813
HUD Section 202 Loan	\$2,430,222
Seller Note	\$3,519,140
Income from Operations	\$264,370
Tax Credit Equity	\$3,571,411
<b>TOTAL</b>	<b>\$14,204,956</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$3,180,585
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$8,604,996
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,180,585
Qualified Basis (Acquisition):	\$8,604,996
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$103,369
Maximum Annual Federal Credit, Acquisition:	\$279,662
Total Maximum Annual Federal Credit:	\$383,031
Approved Developer Fee in Project Cost:	\$1,537,249
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.93241

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:	\$11,785,581
Actual Eligible Basis:	\$11,785,581
Unadjusted Threshold Basis Limit:	\$11,332,732
Total Adjusted Threshold Basis Limit:	\$15,865,825

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 40%

**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**

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The general partner, Rosecrans Manor, shall complete training as prescribed by TCAC prior to the project's placing in service. The required TCAC training for the management company, Monfric, Inc., has been completed and the certification of completion has been received by TCAC.

**Local Reviewing Agency**

The Local Reviewing Agency, City of Compton - Planning and Economic Development Department, 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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$383,031</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:** None.