

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
May 15, 2013**

**Project Number** CA-13-839

**Project Name** Silverlake Apartments  
**Site Address:** 3740 Evans Street  
Los Angeles, CA 90027 County: Los Angeles  
**Census Tract:** 1952.100

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$678,281	\$0
Recommended:	\$678,281	\$0

**Applicant Information**

**Applicant:** Silverlake VOA Affordable Housing, L.P.  
**Contact:** James Engelhardt  
**Address:** 1660 Duke Street  
Alexandria, VA 22314  
**Phone:** (703) 341-5050 **Fax:** (703) 341-7001  
**Email:** jengelhardt@voa.org

**General partner(s) or principal owner(s):** Volunteers of America National Services  
**General Partner Type:** Nonprofit  
**Developer:** Volunteers of America National Services  
**Investor/Consultant:** National Affordable Housing Trust  
**Management Agent:** VOA National Housing Corporation

**Project Information**

**Construction Type:** Acquisition & Rehabilitation  
**Total # Residential Buildings:** 4  
**Total # of Units:** 88  
**No. & % of Tax Credit Units:** 79 90.80%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** Tax-Exempt / HUD Section 8 Project-Based Contract (79 units / 90%)  
**HCD MHP Funding:** No  
**55-Year Use/Affordability:** Yes  
**Number of Units @ or below 50% of area median income:** 41  
**Number of Units @ or below 60% of area median income:** 38

**Bond Information**

**Issuer:** Los Angeles Housing Department  
**Expected Date of Issuance:** August 15, 2013  
**Credit Enhancement:** Red Capital Mortgages - HUD/FHA 221(d)(4) Insurance

**Information**

Housing Type: Non-Targeted  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Connie Osorio

**Unit Mix**

21 SRO/Studio Units  
 53 1-Bedroom Units  
 14 2-Bedroom Units  


---

 88 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 SRO/Studio	50%	50%	\$725
7 SRO/Studio	60%	60%	\$869
22 1 Bedroom	50%	50%	\$776
25 1 Bedroom	60%	60%	\$932
5 2 Bedrooms	50%	50%	\$932
6 2 Bedrooms	60%	60%	\$1,118
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
6 1 Bedroom	Market Rate Unit	Market Rate Unit	\$776
2 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$932

**Project Financing**

Estimated Total Project Cost: \$26,018,754  
 Estimated Residential Project Cost: \$26,018,754

**Residential**

Construction Cost Per Square Foot: \$116  
 Per Unit Cost: \$295,668

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Red Capital Markets, LLC	\$13,000,000
Seller Note	\$7,459,625
Acquired Reserves	\$476,671
Construction Period Income	\$555,607
Deferred Developer Fee	\$582,537
General Partner Equity	\$644
Tax Credit Equity	\$3,943,670

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Red Mortgage Capital LLC	\$10,500,000
Seller Note	\$7,459,625
Acquired Reserves	\$476,671
Construction Period Income	\$555,607
Deferred Developer Fee	\$582,537
General Partner Equity	\$644
Tax Credit Equity	\$6,443,670
<b>TOTAL</b>	<b>\$26,018,754</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$10,480,658
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,855,500
Applicable Fraction:	90.80%
Qualified Basis (Rehabilitation):	\$12,371,995
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$8,949,247
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$391,906
Maximum Annual Federal Credit, Acquisition:	\$286,375
Total Maximum Annual Federal Credit:	\$678,281
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	National Affordable Housing Trust
Federal Tax Credit Factor:	\$0.95000

Per Regulation Section 10322(i)(4)(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:	\$20,336,158
Actual Eligible Basis:	\$20,336,158
Unadjusted Threshold Basis Limit:	\$18,054,514
Total Adjusted Threshold Basis Limit:	\$26,540,136

**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: 51%

**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 3.20% 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 Owner of subject property will pay for all utilities including gas, electricity, water, sewer and trash expenses.

There are 88 total units, 79 of which are low income units. The 79 low income units are subsidized with a HUD Section 8 Project-Based Contract which accounts for 90% of the total residential units.

**Local Reviewing Agency:**

The Local Reviewing Agency, Los Angeles Housing Department, has completed a site review of this project and strongly 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$678,281</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 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 will incorporate the following energy efficient items:
  - \* Water-saving fixtures or flow restrictors in the kitchen (2 gpm or less) and bathrooms (1.5 gpm or less)
  - \* At least one High Efficiency Toilet (1.3 gallons per flush) or dual flush toilets per unit
  - \* Material for all cabinets, countertops and shelving that is free of added formaldehyde or fully sealed on all six (6) sides by laminates and/or a low-VOC primer or sealant (150 grams per liter or less)