

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
March 19, 2014**

Project Number CA-14-815

Project Name Figueroa Senior Housing
Site Address: 5503 South Figueroa Street
Los Angeles, CA 90037 County: Los Angeles
Census Tract: 2327.000

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$258,679 | \$0 |
| Recommended: | \$258,679 | \$0 |

Applicant Information

Applicant: Figueroa Senior Housing Preservation, L.P.
Contact: Charles Cline
Address: 5503 South Figueroa Street
Los Angeles, CA 90037
Phone: (323) 816-8883 Fax: N/A
Email: charlescline14@gmail.com

General Partner(s) or Principal Owner(s): Figueroa Economical Housing Development Corp.
General Partner Type: Nonprofit
Parent Company(ies): Figueroa Economical Housing Development Corp.
Developers: Figueroa Economical Housing Development Corp. /
CP Preservation Housing, LLC
Investor/Consultant: WNC
Management Agent: SK Management Company, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 66
No. & % of Tax Credit Units: 65 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / CDBG
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 40% of area median income: 65

Bond Information

Issuer: City of Los Angeles - HCID
 Expected Date of Issuance: June 19, 2014
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

66 SRO/Studio Units
 66 Total Units

| <u>Unit Type & Number</u> | <u>2014 Rents Targeted % of Area Median Income</u> | <u>2014 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 65 SRO/Studio | 40% | 40% | \$571 |
| 1 SRO/Studio | Manager's Unit | Manager's Unit | \$0 |

Project Financing

Estimated Total Project Cost: \$9,715,926
 Estimated Residential Project Cost: \$9,715,926

Residential

Construction Cost Per Square Foot: \$29
 Per Unit Cost: \$147,211

Construction Financing

Permanent Financing

| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
|--------------------------------|---------------|-------------------------------|--------------------|
| LSA Capital (Tax Exempt Bonds) | \$4,000,000 | LSA Capital | \$2,302,306 |
| City of Los Angeles - HCID | \$4,221,258 | City of Los Angeles - HCID | \$4,221,258 |
| Existing Replacement Reserves | \$130,737 | Existing Replacement Reserves | \$130,737 |
| Deferred Developer Fee | \$481,003 | Income from Operations | \$98,559 |
| Tax Credit Equity | \$882,928 | Deferred Developer Fee | \$480,000 |
| | | Tax Credit Equity | \$2,483,066 |
| | | TOTAL | \$9,715,926 |

Determination of Credit Amount(s)

| | |
|--|-------------|
| Requested Eligible Basis (Rehabilitation): | \$2,361,102 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | \$5,014,274 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | \$3,069,433 |
| Qualified Basis (Acquisition): | \$5,014,274 |
| Applicable Rate: | 3.20% |
| Maximum Annual Federal Credit, Rehabilitation: | \$98,222 |
| Maximum Annual Federal Credit, Acquisition: | \$160,457 |
| Total Maximum Annual Federal Credit: | \$258,679 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$962,006 |
| Investor/Consultant: | WNC |
| Federal Tax Credit Factor: | \$0.95990 |

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: | \$7,375,376 |
| Actual Eligible Basis: | \$7,375,376 |
| Unadjusted Threshold Basis Limit: | \$11,730,642 |
| Total Adjusted Threshold Basis Limit: | \$25,807,412 |

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 are below the minimum operating expenses established in the Regulations as allowed by regulation section 10327(g)(1), 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: This project is involves the resyndication of an existing tax credit project, CA-95-082, under an extended regulatory agreement through the year 2052 which restricts the rent and income to 40% AMI on 100% of the units.

This project's operating expense minimum has been reduced by 15% from the TCAC published minimums to \$3,838 per unit per year as allowed by regulation on agreement of the permanent lender and equity

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 |
| \$258,679 | \$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.