

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Project Number CA-14-826

Project Name Juanita Tate Legacy Towers
Site Address: 4827 South Central Avenue
Los Angeles, CA 90011 County: Los Angeles
Census Tract: 2292.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$889,807	\$0
Recommended:	\$889,807	\$0

Applicant Information

Applicant: Juanita Tate Legacy Preservation, L.P.
Contact: Noreen McClendon
Address: 4827 South Central Avenue
Los Angeles, CA 90011
Phone: (323) 846-2500 Fax: (323) 846-2508
Email: nmclendon@sbcglobal.net

General Partner(s) or Principal Owner(s): Concerned Citizens of South Central Los Angeles
General Partner Type: Nonprofit
Parent Company(ies): Concerned Citizens of South Central Los Angeles
Developers: Concerned Citizens of South Central Los Angeles /
CP Preservation Housing, LLC
Investor/Consultant: WNC
Management Agent: Concerned Citizens of South Central Los Angeles

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 118
No. & % of Tax Credit Units: 117 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (100% - 117 units) /
CDBG
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 12
Number of Units @ or below 60% of area median income: 105

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: Marisol Parks

Unit Mix

73 SRO/Studio Units
 44 1-Bedroom Units
 1 2-Bedroom Units

 118 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>
8 SRO/Studio	50%	16%	\$230
65 SRO/Studio	60%	20%	\$288
4 1 Bedroom	50%	15%	\$230
40 1 Bedroom	60%	19%	\$288
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$26,967,060
 Estimated Residential Project Cost: \$26,967,060

Residential

Construction Cost Per Square Foot: \$71
 Per Unit Cost: \$228,534

Construction Financing

<u>Source</u>	<u>Amount</u>
LSA Capital	\$17,125,000
City of Los Angeles - HCID - CDBG	\$2,670,564
HCD MHP	\$1,859,424
AHP	\$472,000
Seller Land Note	\$1,007,330
Existing Replacement Reserves	\$323,736
Deferred Developer Fee	\$1,875,000
Tax Credit Equity	\$1,634,009

Permanent Financing

<u>Source</u>	<u>Amount</u>
LSA Capital	\$10,291,153
City of Los Angeles - HCID - CDBG	\$2,670,564
HCD MHP	\$1,859,424
AHP	\$472,000
Seller Land Note	\$957,330
Existing Replacement Reserves	\$875,297
Deferred Developer Fee	\$1,300,000
Tax Credit Equity	\$8,541,292
TOTAL	\$26,967,060

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,330,682
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$16,976,589
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,829,887
Qualified Basis (Acquisition):	\$16,976,589
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$346,556
Maximum Annual Federal Credit, Acquisition:	\$543,251
Total Maximum Annual Federal Credit:	\$889,807
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
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	\$25,307,271
Actual Eligible Basis:	\$25,307,271
Unadjusted Threshold Basis Limit:	\$22,238,877
Total Adjusted Threshold Basis Limi	\$28,910,540

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: 10%

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: None

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
\$889,807

State Tax Credits/Total
\$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