

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 19, 2014

Project Number CA-14-827

Project Name Normandie Senior Housing
Site Address: 6301 South Normandie Avenue
Los Angeles, CA 90044 County: Los Angeles
Census Tract: 2374.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$281,310	\$0
Recommended:	\$281,310	\$0

Applicant Information

Applicant: Normandie Senior Housing Preservation, L.P.
Contact: Herbert Marshall
Address: 6301 S. Normandie Ave.
Los Angeles, CA 90044
Phone: (323) 778-5433 Fax: N/A
Email: hmarshall@successnet.net

General Partner(s) or Principal Owner(s): Normandie Non-Profit Housing, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Normandie Non-Profit Housing, Inc.
Developer: Normandie Non-Profit Housing, Inc. /
CP Preservation Housing, LLC
Investor/Consultant: WNC
Management Agent: SK Management, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 75
No. & % of Tax Credit Units: 74 100.00%
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 50% of area median income: 74

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

75 SRO/Studio Units
 75 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>
74 SRO/Studio	40%	40%	\$571
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$11,886,129
 Estimated Residential Project Cost: \$11,886,129

Residential

Construction Cost Per Square Foot: \$26
 Per Unit Cost: \$158,482

Construction Financing

<u>Source</u>	<u>Amount</u>
LSA Capital	\$4,375,000
City of Los Angeles - HCID - CDBG	\$5,820,806
Existing Replacement Reserves	\$97,186
Deferred Developer Fee	\$520,979
Tax Credit Equity	\$1,072,163

Permanent Financing

<u>Source</u>	<u>Amount</u>
LSA Capital	\$2,647,016
City of Los Angeles - HCID - CDBC	\$5,820,806
Existing Replacement Reserves	\$97,186
NOI During Construction	\$113,316
Deferred Developer Fee	\$507,500
Tax Credit Equity	\$2,700,305
TOTAL	\$11,886,129

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,675,348
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,313,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,477,953
Qualified Basis (Acquisition):	\$5,313,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$111,294
Maximum Annual Federal Credit, Acquisition:	\$170,016
Total Maximum Annual Federal Credit:	\$281,310
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,041,958
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:	\$7,988,348
Actual Eligible Basis:	\$7,988,348
Unadjusted Threshold Basis Limit:	\$13,330,275
Total Adjusted Threshold Basis Limit	\$29,326,605

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 involves the re-syndication of an existing tax credit project, CA-95-083, under an extended 55-year regulatory agreement to approximately December 2052, which restricts at least 75 units in the project and must be occupied by tenants at or below 40% of area median gross income and rent.

The project's operating expense minimum has been reduced by 15% from the TCAC published minimum to \$3,925 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

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
\$281,310	\$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