

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 10, 2014**

Project Number CA-14-920

Project Name Sea Mist Towers
Site Address: 1451 Atlantic Avenue
Long Beach, CA 90813 County: Los Angeles
Census Tract: 5753.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$576,169	\$0
Recommended:	\$574,599	\$0

Applicant Information

Applicant: Sea Mist VOA Affordable Housing, L.P.
Contact: Mike Seltz
Address: 1660 Duke Street
Alexandria, VA 22314-3427
Phone: 703-341-5081 Fax: 703-341-7001
Email: mseltz@voa.org

General Partner(s) or Principal Owner(s): Volunteers of America National Services
General Partner Type: Nonprofit
Parent Company(ies): Volunteers of America National Services
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: 1
Total # of Units: 75
No. & % of Tax Credit Units: 74 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (100% - 74 Units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 15
Number of Units @ or below 60% of area median income: 59

Bond Information

Issuer: CMFA
 Expected Date of Issuance: December 10, 2014
 Credit Enhancement: N/A

Information

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

Unit Mix

18 SRO/Studio Units
 56 1-Bedroom Units
 1 2-Bedroom 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>
9 SRO/Studio	50%	50%	\$713
9 SRO/Studio	60%	60%	\$856
6 1 Bedroom	50%	50%	\$764
50 1 Bedroom	60%	60%	\$917
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$19,152,663
 Estimated Residential Project Cost: \$19,152,663

Residential

Construction Cost Per Square Foot: \$79
 Per Unit Cost: \$255,369

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank - Tax Exempt Bonds	\$12,000,000
Seller Carryback Loan	\$4,881,439
Acquired Reserves	\$244,745
General Partner Equity	\$555
Tax Credit Equity	\$525,592

Permanent Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank - TE Bonds	\$8,500,000
Seller Carryback Loan	\$4,881,439
Acquired Reserves	\$244,745
Deferred Developer Fee	\$15,057
General Partner Equity	\$557
Tax Credit Equity	\$5,510,865
TOTAL	\$19,152,663

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,087,047
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,488,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,613,161
Qualified Basis (Acquisition):	\$10,488,000
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$222,202
Maximum Annual Federal Credit, Acquisition:	\$352,397
Total Maximum Annual Federal Credit:	\$574,599
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,031,528
Investor/Consultant:	National Affordable Housing Trust
Federal Tax Credit Factor:	\$0.95908

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:	\$15,575,047
Actual Eligible Basis:	\$15,575,047
Unadjusted Threshold Basis Limit:	\$15,888,346
Total Adjusted Threshold Basis Limit:	\$20,654,850

Adjustments to Basis Limit:

95% of Upper Floor Units are Elevator-Serviced
 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
 between 50% AMI & 36% AMI: 20%

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 3.36% 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 has an existing HUD Section 8 project-based contract covering all of the 74 affordable units. In addition, this project was originally built in 1993 under the HUD 202 program.

The portion of the developer fee included in rehabilitation eligible basis exceeded the limitation of TCAC Regulation Section 10327(c)(2)(B). TCAC adjusted accordingly resulting in a decrease in the recommended annual federal tax credits from \$576,169 to \$574,599.

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
\$574,599	\$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.