

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

Pacific Rim Apartments, located at 230 S. Grevillea Avenue in Inglewood, requested and is being recommended for a reservation of \$239,094 in annual federal tax credits to finance the acquisition and rehabilitation of 39 units of housing serving special needs tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by BlueGreen Preservation and Development LLC and is located in Senate District 35 and Assembly District 62.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-15-939

Project Name Pacific Rim Apartments
Site Address: 230 S. Grevillea Avenue
 Inglewood, CA 90301 County: Los Angeles
Census Tract: 6012.110

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$239,094	\$0
Recommended:	\$239,094	\$0

Applicant Information

Applicant: Pacific Rim Preservation, L.P.
Contact: Charles E. Cline
Address: 5503 S. Figueroa Street
 Los Angeles, CA 90039
Phone: (323) 816-8833
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.
Developer: BlueGreen Preservation and Development, LLC
Investor/Consultant: City Real Estate Advisors, Inc.
Management Agent: Monfric, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (100% - 39 Units) / HUD Section 202 Loan
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 16
 Number of Units @ or below 60% of area median income: 23

Bond Information

Issuer: California Public Finance Authority
 Expected Date of Issuance: March 16, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

39 1-Bedroom Units
 1 2-Bedroom Units

 40 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16 1 Bedroom	50%	17%	\$268
23 1 Bedroom	60%	17%	\$268
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,568,106
Construction Costs	\$0
Rehabilitation Costs	\$820,000
Construction Contingency	\$80,000
Relocation	\$60,000
Architectural/Engineering	\$180,000
Construction Interest, Perm Financing	\$548,054
Legal Fees, Appraisals	\$103,601
Reserves	\$204,231
Other Costs	\$250,991
Developer Fee	\$873,063
Commercial Costs	\$0
Total	\$7,688,046

Project Financing

Estimated Total Project Cost:	\$7,688,046
Estimated Residential Project Cost:	\$7,688,046

Residential

Construction Cost Per Square Foot:	\$27
Per Unit Cost:	\$192,201

Construction Financing

Source	Amount
Redstone - Tax Exempt Bonds	\$4,500,000
HUD Section 202 Loan	\$1,903,414
Existing Reserves	\$68,106
General Partner Note	\$46,997
Deferred Developer Fee	\$466,650
Tax Credit Equity	\$702,879

Permanent Financing

Source	Amount
Redstone - Tax Exempt Bonds	\$1,560,423
HUD Section 202 Loan	\$1,903,414
Seller Note	\$1,278,115
City Real Estate Advisors	\$68,106
Income from Operations	\$68,407
Deferred Developer Fee	\$466,650
Tax Credit Equity	\$2,342,931
TOTAL	\$7,688,046

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,107,496
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,505,666
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,739,745
Qualified Basis (Acquisition):	\$4,505,666
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$90,407
Maximum Annual Federal Credit, Acquisition:	\$148,687
Total Maximum Annual Federal Credit:	\$239,094
Approved Developer Fee in Project Cost:	\$873,063
Approved Developer Fee in Eligible Basis:	\$873,062
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.97992

Per Regulation Section 10322(h)(9)(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:	\$6,613,162
Actual Eligible Basis:	\$6,613,162
Unadjusted Threshold Basis Limit:	\$9,359,337
Total Adjusted Threshold Basis Limit:	\$13,196,665

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: 41%

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 expense meet 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 3.30% 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

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking the documented experience with IRC Section 42 requirements using the minimum scoring standards at TCAC Regulation Sections 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. The general partner, Figueroa Economical Housing Development Corp., and the management company, Monfric, Inc., shall complete training as prescribed by TCAC prior to a project's placing in service.

Local Reviewing Agency

The Local Reviewing Agency, the City of Inglewood 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$239,094	\$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.