

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 20, 2016**

St. James Park, located at 825 W. Adams Boulevard in Los Angeles, requested and is being recommended for a reservation of \$1,101,118 in annual federal tax credits to finance the acquisition and rehabilitation of 102 units of housing serving individuals, small households, and families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Retirement Housing Foundation and is located in Senate District 30 and Assembly District 59.

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

Project Number CA-16-806

Project Name St. James Park
Site Address: 825 W. Adams Blvd
Los Angeles, CA 90007 County: Los Angeles
Census Tract: 2244.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,101,118	\$0
Recommended:	\$1,101,118	\$0

Applicant Information

Applicant: St. James Park RHF Partners, LP
Contact: Anders Plett
Address: 911 North Studebaker Road
Long Beach, CA 90815
Phone: 562-257-5309 **Fax:** 562-493-7042
Email: anders.plett@rhf.org

General Partner(s) or Principal Owner(s): St. James Park RHF Housing, LLC
General Partner Type: Nonprofit
Parent Company(ies): Retirement Housing Foundation
Developer: Retirement Housing Foundation
Investor/Consultant: R4 Capital LLC
Management Agent: Foundation Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 4
 Total # of Units: 105
 No. & % of Tax Credit Units: 102 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (102 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 33
 Number of Units @ or below 60% of area median income: 69

Bond Information

Issuer: Los Angeles Housing and Community Investment Department
 Expected Date of Issuance: March 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

61 SRO/Studio Units
 29 1-Bedroom Units
 15 2-Bedroom Units

 105 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 SRO/Studio	50%	50%	\$726
42 SRO/Studio	60%	50%	\$726
9 1 Bedroom	50%	50%	\$778
18 1 Bedroom	60%	60%	\$933
5 2 Bedrooms	50%	50%	\$933
9 2 Bedrooms	60%	60%	\$1,120
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$15,210,000
Construction Costs	\$0
Rehabilitation Costs	\$10,844,249
Construction Contingency	\$1,051,448
Relocation	\$1,460,696
Architectural/Engineering	\$980,525
Construction Interest, Perm Financing	\$1,733,099
Legal Fees, Appraisals	\$285,000
Reserves	\$663,017
Other Costs	\$2,672,751
Developer Fee	\$2,520,000
Commercial Costs	\$0
Total	\$37,420,785

Project Financing

Estimated Total Project Cost:	\$37,420,785
Estimated Residential Project Cost:	\$37,420,785

Residential

Construction Cost Per Square Foot:	\$159
Per Unit Cost:	\$356,388

Construction Financing

Source	Amount
Citibank - Construction Loan	\$17,646,039
Seller Loan	\$14,395,000
Reserves for Replacement	\$507,826
General Partner Equity	\$1,305
Deferred Developer Fee	\$2,000,000
Tax Credit Equity	\$2,870,615

Permanent Financing

Source	Amount
Citibank - Permanent Loan	\$8,708,146
Seller Loan	\$14,394,962
Reserves for Replacement	\$507,826
Construction Interest from Operations	\$761,603
Tax Credit Equity	\$13,048,248
TOTAL	\$37,420,785

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$19,353,779
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,036,307
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$25,159,913
Qualified Basis (Acquisition):	\$9,036,307
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$802,920
Maximum Annual Federal Credit, Acquisition:	\$298,198
Total Maximum Annual Federal Credit:	\$1,101,118
Approved Developer Fee in Project Cost:	\$2,520,000
Approved Developer Fee in Eligible Basis:	\$2,184,081
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$1.18500

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:	\$28,390,086
Actual Eligible Basis:	\$28,390,086
Unadjusted Threshold Basis Limit:	\$23,278,302
Total Adjusted Threshold Basis Limit:	\$30,727,359

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: 32%

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 3.30% 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: 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	State Tax Credits/Total
\$1,101,118	\$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.