

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

April 6, 2016

REVISED

Vista Del Mar, located at 1116 W. D Street in Wilmington, requested and is being recommended for a reservation of \$1,153,462 in annual federal tax credits to finance the new construction of 87 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Abode Communities and will be located in Senate District 35 and Assembly District 64.

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

Project Number CA-16-814

Project Name Vista Del Mar
Site Address: 1116 W. D Street
Wilmington, CA 90744 County: Los Angeles
Census Tract: 2949.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,153,462	\$0
Recommended:	\$1,153,462	\$0

Applicant Information

Applicant: New Dana Strand IV-B, L.P.
Contact: Holly Benson
Address: 1149 South Hill Street, Suite 700
Los Angeles, CA 90015
Phone: 213-225-2708 Fax: 213-225-2709
Email: hbenson@abodecommunities.org

General Partner(s) or Principal Owner(s): New Dana Strand IV-B MGP, LLC
Mercy Housing Calwest
General Partner Type: Nonprofit
Parent Company(ies): Abode Communities
Mercy Housing California
Developer: Abode Communities
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Abode Communities

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 12
 Total # of Units: 88
 No. & % of Tax Credit Units: 87 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (87 units - 100%)
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 35
 Number of Units @ or below 60% of area median income: 52

Bond Information

Issuer: City of Los Angeles HCID
 Expected Date of Issuance: March 16, 2016
 Credit Enhancement: No

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Mayra Lozano

Unit Mix

12 1-Bedroom Units
 21 2-Bedroom Units
 55 3-Bedroom Units

 88 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>
5 1 Bedroom	50%	50%	\$778
8 2 Bedrooms	50%	50%	\$933
22 3 Bedrooms	50%	50%	\$1,079
7 1 Bedroom	60%	60%	\$933
12 2 Bedrooms	60%	60%	\$1,119
33 3 Bedrooms	60%	60%	\$1,294
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,450,000
Construction Costs	\$17,712,917
Rehabilitation Costs	\$0
Construction Contingency	\$1,507,567
Relocation	\$0
Architectural/Engineering	\$1,660,827
Construction Interest, Perm Financing	\$1,849,445
Legal Fees, Appraisals	\$272,500
Reserves	\$385,000
Other Costs	\$2,034,909
Developer Fee	\$3,560,900
Commercial Costs	\$0
Total	\$31,434,066

Project Financing

Estimated Total Project Cost:	\$31,434,066
Estimated Residential Project Cost:	\$31,434,066

Residential

Construction Cost Per Square Foot:	\$180
Per Unit Cost:	\$357,205

Construction Financing

Source	Amount
Construction Loan	\$24,475,000
HACLA Ground Lease Loan	\$2,400,000
Costs Deferred Until Conversion	\$1,629,617
Deferred Developer Fee	\$1,158,526
General Partner Equity	\$100
Tax Credit Equity	\$1,770,823

Permanent Financing

Source	Amount
Permanent Loan	\$15,648,000
HACLA Ground Lease Loan	\$2,400,000
General Partner Equity	\$100
Deferred Developer Fee	\$1,158,526
Tax Credit Equity	\$12,227,440
TOTAL	\$31,434,066

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,300,864
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$35,491,123
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,153,462
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,560,900
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.06006

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:	\$27,300,864
Actual Eligible Basis:	\$27,300,864
Unadjusted Threshold Basis Limit:	\$28,458,516
Total Adjusted Threshold Basis Limit:	\$45,533,625

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: 40%

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
\$1,153,462	\$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

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to become certified under the Leadership in Energy & Environmental Design (LEED for Homes) program for New Construction/Adaptive Reuse projects upon completion.