

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 18, 2016

Westminster Court, located at 6850 Florence Avenue in Bell Gardens, requested and is being recommended for a reservation of \$478,910 in annual federal tax credits to finance the acquisition and rehabilitation of 74 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Southern California Presbyterian Homes dba be. group and is located in Senate District 33 and Assembly District 58.

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

Project Number CA-16-871

Project Name Westminster Court
Site Address: 6850 Florence Avenue
Bell Gardens, CA 90201 County: Los Angeles
Census Tract: 5342.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$478,910	\$0
Recommended:	\$478,910	\$0

Applicant Information

Applicant: Westminster Court, L.P.
Contact: Orest Dolyniuk
Address: 516 Burchett Street
Glendale, CA 91203
Phone: (818) 247-0420
Email: orest.dolyniuk@thebegroup.org

General Partner(s) or Principal Owner(s): Westminster Court, LLC
General Partner Type: Nonprofit
Parent Company(ies): Southern California Presbyterian Homes dba be. group
Developer: Southern California Presbyterian Homes dba be. group
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Southern California Presbyterian Homes dba be. group

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 (74 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 23
 Number of Units @ or below 60% of area median income: 51

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: August 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

18 SRO/Studio Units
 57 1-Bedroom Units

 75 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>
6 SRO/Studio	50%	50%	\$726
12 SRO/Studio	60%	60%	\$871
17 1 Bedroom	50%	50%	\$778
39 1 Bedroom	60%	60%	\$933
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$7,950,000
Construction Costs	\$0
Rehabilitation Costs	\$3,524,729
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$185,000
Construction Interest, Perm Financing	\$658,000
Legal Fees, Appraisals	\$233,000
Reserves	\$309,650
Other Costs	\$477,200
Developer Fee	\$1,731,900
Commercial Costs	\$0
Total	\$15,069,479

Project Financing

Estimated Total Project Cost:	\$15,069,479
Estimated Residential Project Cost:	\$15,069,479
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$70
Per Unit Cost:	\$200,926
Effective Per Unit Cost:	\$154,071

Construction Financing

Source	Amount
Citibank, N.A	\$9,800,000
Seller Carryback Note	\$3,514,152
Existing Reserves	\$142,161
Cash from Operations	\$391,000
Deferred Costs	\$944,240
Tax Credit Equity	\$277,926

Permanent Financing

Source	Amount
Citibank, N.A	\$6,157,000
Seller Carryback Note	\$3,514,152
Existing Reserves	\$142,161
Cash from Operations	\$391,000
Tax Credit Equity	\$4,865,166
TOTAL	\$15,069,479

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,856,499
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$8,422,250
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,313,449
Qualified Basis (Acquisition):	\$8,422,250
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$205,187
Maximum Annual Federal Credit, Acquisition:	\$273,723
Total Maximum Annual Federal Credit:	\$478,910
Approved Developer Fee (in Project Cost & Eligible Basis)	\$1,731,900
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.01588

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:	\$13,278,749
Actual Eligible Basis:	\$13,278,749
Unadjusted Threshold Basis Limit:	\$16,132,260
Total Adjusted Threshold Basis Limit:	\$22,746,487

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: 31%

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 3.25% 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, the City of Bell Gardens, 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
\$478,910	\$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.