

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Boyle Apartments & Jewel Terrace Apartments, a scattered-site project located at the addresses below in Los Angeles, requested and is being recommended for a reservation of \$557,519 in annual federal tax credits to finance the acquisition and rehabilitation of 66 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by IAHI-Developers, LLC and is located in Senate District 59 and 53 and Assembly District 30 and 24.

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

Project Number CA-16-933

Project Name Boyle Apartments & Jewel Terrace Apartments

	Site 1	Site 2
Site Address:	427 South Boyle Avenue Los Angeles, CA 90033	1420 West 27th Street Los Angeles, CA 90007
Census Tract:	2060.50	2218.10

	Site 3	Site 4
Site Address:	1460 West 27th Street Los Angeles, CA 90007	2950 South Van Buren Place Los Angeles, CA 90007
Census Tract:	2218.10	2221.00

County: Los Angeles

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$553,696	\$0
Recommended:	\$553,696	\$0

Applicant Information

Applicant: Boyle Terrace Affordable Apartments, LP
Contact: Marco Gomez
Address: 3553 Atlantic Avenue, Suite 250
Long Beach, CA 90807
Phone: 213-924-3217 Fax: 562-683-0414
Email: mg@iahinc.org

General Partner(s) or Principal Owner(s): IAHI-Terrace, LLC
General Partner Type: Nonprofit
Parent Company(ies): Intercontinental Affordable Housing, Inc.
Developer: IAHI-Developers, LLC
Investor/Consultant: The Richman Group Capital Corp
Management Agent: American Real Property Mgmt, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 67
 No. & % of Tax Credit Units: 66 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (67 units - 100%)
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 13
 Number of Units @ or below 60% of area median income: 53

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: November 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Zhuo Chen

Unit Mix

4 SRO/Studio Units
 44 1-Bedroom Units
 19 2-Bedroom Units

 67 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Site 1: 427 South Boyle Avenue</u>			
2 1 Bedroom	50%	50%	\$814
3 2 Bedrooms	50%	50%	\$977
18 1 Bedroom	60%	60%	\$977
11 2 Bedrooms	60%	60%	\$1,173
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,024
<u>Site 2: 1420 West 27th Street</u>			
3 1 Bedroom	50%	50%	\$814
9 1 Bedroom	60%	60%	\$977
<u>Site 3: 1460 West 27th Street</u>			
2 2 Bedrooms	50%	50%	\$977
4 1 Bedroom	60%	60%	\$977
2 2 Bedrooms	60%	60%	\$1,173

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
<u>Site 4: 2950 South Van Buren Place</u>			
3 1 Bedroom	50%	50%	\$814
4 SRO/Studio	60%	60%	\$912
5 1 Bedroom	60%	60%	\$977

Project Cost Summary at Application

Land and Acquisition	\$9,480,000
Construction Costs	\$0
Rehabilitation Costs	\$5,027,688
Construction Contingency	\$100,000
Relocation	\$33,500
Architectural/Engineering	\$114,550
Const. Interest, Perm. Financing	\$677,680
Legal Fees, Appraisals	\$10,000
Reserves	\$495,100
Other Costs	\$127,655
Developer Fee	\$2,044,097
Commercial Costs	\$0
Total	\$18,110,270

Project Financing

Estimated Total Project Cost:	\$18,110,270
Estimated Residential Project Cost:	\$18,110,270
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$94
Per Unit Cost:	\$270,303
True Cash Per Unit Cost*:	\$227,491

Construction Financing

<u>Source</u>	<u>Amount</u>
Jones Lang LaSalle - T.E. Bonds	\$8,300,000
Boyle Apartments - T.E. Bonds	\$800,000
Seller Carryback Loan	\$3,655,000
Deferred Developer Fee	\$2,000,000
GP Equity	\$834,554
Solar Tax Credit Equity	\$500,000
Tax Credit Equity	\$2,020,716

Permanent Financing

<u>Source</u>	<u>Amount</u>
Jones Lang LaSalle - T.E. Bonds	\$8,300,000
Boyle Apartments - T.E. Bonds	\$800,000
Seller Carryback Loan	\$1,000,000
Deferred Developer Fee	\$1,868,385
Solar Tax Credit Equity	\$161,968
Tax Credit Equity	\$5,979,917
TOTAL	\$18,110,270

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,976,665
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,619,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,769,665
Qualified Basis (Acquisition):	\$9,619,750
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$241,054
Maximum Annual Federal Credit, Acquisition:	\$312,642
Total Maximum Annual Federal Credit:	\$553,696
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,044,097
Investor/Consultant:	The Richman Group Capital Corp
Federal Tax Credit Factor:	\$1.08000

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:	\$15,596,415
Actual Eligible Basis:	\$15,596,415
Unadjusted Threshold Basis Limit:	\$15,638,336
Total Adjusted Threshold Basis Limit:	\$19,704,303

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 19%

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 are below the minimum operating expenses established in the Regulations. See **Special Issues/Other Significant Information** below for additional information. 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

This project involves the substantial rehabilitation of 4 scattered-sites originally constructed in the 1970s in City of Los Angeles.

The project’s annual total operating expense total is below TCAC published per unit operating expense minimums of \$4,800. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$4,501 on agreement of the permanent lender and equity investor.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles, 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
\$553,696	\$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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project commits to include photovoltaic (PV) generation that offsets tenant loads.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.