

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

Premier Apartments, located at 961 West 43rd Street, 1208 & 1222 East 59th Street, 1229 East 59th Place, 581 West 92nd Street, 368 East Imperial Highway, and 833 East Imperial Highway in Los Angeles, requested and is being recommended for a reservation of \$910,997 in annual federal tax credits to finance the acquisition and rehabilitation of 116 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Premier Developers, LLC and is located in Senate Districts 30 and 33 and Assembly Districts 37, 40, and 43.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-934

Project Name Premier Apartments

Site 1

Site Address: 961 West 43rd Street
 Los Angeles, CA 90037
 Census Tract: 2317.00

Site 2

Site Address: 1208 & 1222 East 59th Street, 1229 East 59th Place
 Los Angeles, CA 90001
 Census Tract: 5328.00

Site 3

Site Address: 581 West 92nd Street
 Los Angeles, CA 90044
 Census Tract: 2403.00

Site 4

368 East Imperial Highway
 Los Angeles, CA 90061
 2410.01

Site 5

Site Address: 833 East Imperial Highway
 Los Angeles, CA 90059
 Census Tract: 2409.00

County: Los Angeles

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$910,997	\$0
Recommended:	\$910,997	\$0

Applicant Information

Applicant:	Premier Associates II, LP	
Contact:	Marco Gomez	
Address:	3553 Atlantic Avenue, #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-PR, LLC	
General Partner Type:	Nonprofit	
Parent Company(ies):	Intercontinental Affordable Housing, Inc.	
Developer:	Premier Developers LLC	
Investor/Consultant:	The Richman Group	
Management Agent:	American Real Property Management, Inc.	

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	12	
Total # of Units:	120	
No. & % of Tax Credit Units:	116	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Contract (120 Units - 100%)	
HCD MHP Funding:	No	
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:		103

Bond Information

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

Information

Housing Type:	At-Risk
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	DC Navarrette

Unit Mix

8 SRO/Studio Units
60 1-Bedroom Units
<u>52 2-Bedroom Units</u>
120 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>
2 SRO/Studio	50%	49%	\$746
1 1 Bedroom	50%	50%	\$814
1 SRO/Studio	60%	49%	\$746
19 1 Bedroom	60%	50%	\$820
3 1 Bedroom	50%	50%	\$814
1 2 Bedrooms	50%	50%	\$977
1 SRO/Studio	60%	49%	\$746
27 1 Bedroom	60%	50%	\$820
3 2 Bedrooms	60%	56%	\$1,094
1 2 Bedrooms	50%	50%	\$977
9 2 Bedrooms	60%	56%	\$1,094
3 2 Bedrooms	50%	50%	\$977
26 2 Bedrooms	60%	56%	\$1,094
1 1 Bedroom	50%	50%	\$814
1 2 Bedrooms	50%	50%	\$977
1 SRO/Studio	60%	49%	\$746
9 1 Bedroom	60%	50%	\$820
7 2 Bedrooms	60%	56%	\$1,094
1 SRO/Studio	Manager's Unit	Manager's Unit	\$746
1 SRO/Studio	Manager's Unit	Manager's Unit	\$746
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,094
1 SRO/Studio	Manager's Unit	Manager's Unit	\$746

Project Cost Summary at Application

Land and Acquisition	\$15,775,000
Construction Costs	\$0
Rehabilitation Costs	\$8,263,598
Construction Contingency	\$100,000
Relocation	\$60,000
Architectural/Engineering	\$130,000
Const. Interest, Perm. Financing	\$903,214
Legal Fees, Appraisals	\$10,000
Reserves	\$662,714
Other Costs	\$160,800
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$28,565,326

Project Financing

Estimated Total Project Cost:	\$28,565,326
Estimated Residential Project Cost:	\$28,565,326
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$159
Per Unit Cost:	\$238,044
True Cash Per Unit Cost*:	\$212,389

Construction Financing

Source	Amount
Jones Lang LaSalle	\$15,000,000
Seller Carryback Note	\$6,073,495
Totalis Energy - Solar Financing	\$2,000,000
Deferred Developer Fee	\$2,369,426
Tax Credit Equity	\$3,122,405

Permanent Financing

Source	Amount
Jones Lang LaSalle	\$15,000,000
Seller Carryback Note	\$1,000,000
Solar Tax Credit Equity	\$647,870
Deferred Developer Fee	\$2,078,688
Tax Credit Equity	\$9,838,768
TOTAL	\$28,565,326

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,252,044
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$18,264,616
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,727,657
Qualified Basis (Acquisition):	\$18,264,616
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$317,397
Maximum Annual Federal Credit, Acquisition:	\$593,600
Total Maximum Annual Federal Credit:	\$910,997
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	The Richman Group
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:	\$26,516,660
Actual Eligible Basis:	\$26,516,660
Unadjusted Threshold Basis Limit:	\$28,807,856
Total Adjusted Threshold Basis Limit:	\$33,993,270

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: 11%

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), 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

This project’s annual per unit operating expense total is below the 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 \$4,093 on agreement of the permanent lender and equity investor.

The proposed rent do not include any utility allowance. The owner will pay for all utilities.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles Housing Department, has completed a site review of this project and 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
\$910,997	\$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.