

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

Rolland Curtis West, located at 1077 W 38th Street in Los Angeles, requested and is being recommended for a reservation of \$1,072,019 in annual federal tax credits to finance the new construction of 69 units of housing serving large families with rents affordable to households earning 30-60% AMI of area median income (AMI). The project will be developed by Abode Communities and is located in Senate District 30 and Assembly District 59.

The project financing includes state funding from the MHP and AHSC programs of HCD.

Project Number CA-16-941

Project Name Rolland Curtis West
Site Address: 1077 W 38th Street
 Los Angeles, CA 90037 County: Los Angeles
Census Tract: 2312.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,072,019	\$0
Recommended:	\$1,072,019	\$0

Applicant Information

Applicant: Rolland Curtis West, L.P.
Contact: Lara Regus
Address: 1149 S. Hill St., Suite 700
 Los Angeles, CA 90015
Phone: (213) 225-2812 Fax: (213) 225-2709
Email: lregus@abodecommunities.org

General Partner(s) or Principal Owner(s): Rolland Curtis West, LLC
General Partner Type: Nonprofit
Parent Company(ies): Abode Communities
Developer: Abode Communities
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Abode Communities

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 70
 No. & % of Tax Credit Units: 69 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 HCD MHP Funding: Yes
 Number of Units @ or below 35% of area median income: 27
 Number of Units @ or below 50% of area median income: 21
 Number of Units @ or below 60% of area median income: 21

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: December 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Alex Ninh

Unit Mix

7 1-Bedroom Units
 39 2-Bedroom Units
24 3-Bedroom Units
 70 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>
3 1 Bedroom	30%	30%	\$488
2 1 Bedroom	35%	35%	\$569
2 1 Bedroom	50%	50%	\$814
9 2 Bedrooms	30%	30%	\$587
5 2 Bedrooms	35%	35%	\$683
14 2 Bedrooms	50%	50%	\$977
10 2 Bedrooms	60%	60%	\$1,173
6 3 Bedrooms	30%	30%	\$676
2 3 Bedrooms	35%	35%	\$789
5 3 Bedrooms	50%	50%	\$1,128
11 3 Bedrooms	60%	60%	\$1,354
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,210,221
Construction Costs	\$18,456,655
Rehabilitation Costs	\$0
Construction Contingency	\$0
Relocation	\$505,000
Architectural/Engineering	\$935,139
Const. Interest, Perm. Financing	\$1,797,749
Legal Fees, Appraisals	\$78,560
Reserves	\$226,553
Other Costs	\$1,752,294
Developer Fee	\$3,309,553
Commercial Costs	\$0
Total	\$32,271,724

Project Financing

Estimated Total Project Cost:	\$32,271,724
Estimated Residential Project Cost:	\$32,271,724
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$185
Per Unit Cost:	\$461,025
True Cash Per Unit Cost*:	\$430,888

Construction Financing

Source	Amount
Wells Fargo Bank	\$22,000,000
HCIDLA - HOME	\$4,900,000
HCD - AHSC STI	\$503,000
HCD - AHSC HRI	\$1,208,750
Deferred Costs	\$566,700
Deferred Developer Fee	\$2,109,553
Tax Credit Equity	\$983,721

Permanent Financing

Source	Amount
CCRC	\$2,687,300
HCIDLA - HOME	\$4,900,000
HCD - AHSC	\$3,911,504
HCD - AHSC STI	\$503,000
HCD - AHSC HRI	\$1,208,750
HCD - MHP	\$5,773,538
Deferred Developer Fee	\$2,109,553
Tax Credit Equity	\$11,178,079
TOTAL	\$32,271,724

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,373,243
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,985,216
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,072,019
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,309,553
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.04271

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:	\$25,373,243
Actual Eligible Basis:	\$25,373,243
Unadjusted Threshold Basis Limit:	\$20,240,164
Total Adjusted Threshold Basis Limit:	\$42,389,541

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 78%

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, Los Angeles Housing Community Investment Department, 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
\$1,072,019

State Tax Credits/Total
\$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 becoming certified under the following program:
Leadership in Energy & Environmental Design (LEED)
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes GOLD standard.