

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 13, 2017**

RISE Apartments, located at 4050 South Figueroa Street in Los Angeles, requested and is being recommended for a reservation of \$917,604 in annual federal tax credits to finance the new construction of 57 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Highridge Costa and SRO Housing Corporation and will be located in Senate District 30 and Assembly District 59.

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

**Project Number** CA-17-813

**Project Name** RISE Apartments  
Site Address: 4050 South Figueroa Street  
Los Angeles, CA 90017 County: Los Angeles  
Census Tract: 2317.20

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$917,604	\$0
Recommended:	\$917,604	\$0

**Applicant Information**

Applicant: RISE Housing, LP  
Contact: Mohannad H. Mohanna   
Address: 330 W. Victoria Street  
Gardena, CA 90248  
Phone: 424-258-2906 Fax: 424-258-2907  
Email: moe.mohanna@housingpartners.com

General Partner(s) or Principal Owner(s): Single Room Occupancy Housing Corporation  
Highridge Costa Development Company  
General Partner Type: Joint Venture  
Parent Company(ies): Single Room Occupancy Housing Corporation  
Highridge Costa Development Company  
Developer: Highridge Costa and SRO Housing Corporation  
Investor/Consultant: Victoria Capital, LLC  
Management Agent: Single Room Occupancy Housing Corporation

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 57  
 No. & % of Tax Credit Units: 57 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (14 units - 25%) / HUD VASH Vouchers (42 units - 74%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 42  
 Number of Units @ or below 50% of area median income: 14

**Bond Information**

Issuer: HCIDLA  
 Expected Date of Issuance: December 13, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Special Needs  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Lucy Vang

**Unit Mix**

56 SRO/Studio Units  
 1 1-Bedroom Units  


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 57 Total Units

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
42 SRO/Studio	30%	30%	\$473
14 SRO/Studio	50%	50%	\$788
1 1 Bedroom *	60%	60%	\$1,014

\* The affordable one-bedroom unit will be occupied by a tax-credit qualified property manager.

Projected Lifetime Rent Benefit: \$32,755,800

**Project Cost Summary at Application**

Land and Acquisition	\$2,278,068
Construction Costs	\$14,156,202
Rehabilitation Costs	\$0
Construction Contingency	\$889,171
Relocation	\$0
Architectural/Engineering	\$1,579,296
Const. Interest, Perm. Financing	\$584,853
Legal Fees, Appraisals	\$315,000
Reserves	\$296,668
Other Costs	\$1,087,611
Developer Fee	\$2,713,852
Commercial Costs	\$622,935
<b>Total</b>	<b>\$24,523,656</b>

**Project Financing**

Estimated Total Project Cost:	\$24,523,656
Estimated Residential Project Cost:	\$23,900,721
Estimated Commercial Project Cost:	\$622,935

**Residential**

Construction Cost Per Square Foot:	\$325
Per Unit Cost:	\$419,311
True Cash Per Unit Cost*:	\$419,311

**Construction Financing**

Source	Amount
Citibank, N.A.	\$13,059,364
HCIDLA (Proposition HHH)	\$9,500,000
Deferred Costs and Fees	\$1,964,292

**Permanent Financing**

Source	Amount
Citibank	\$5,610,700
HCIDLA (Proposition HHH)	\$9,500,000
Developer Fee Note	\$236,916
Tax Credit Equity	\$9,176,040
<b>TOTAL</b>	<b>\$24,523,656</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,718,450
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$28,233,984
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$917,604
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,713,852
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10327(c)(6), 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:	\$21,718,450
Actual Eligible Basis:	\$21,718,450
Unadjusted Threshold Basis Limit:	\$11,604,686
Total Adjusted Threshold Basis Limit:	\$35,278,246

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

100% of Units for Special Needs Population

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 25%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 150%

**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:**

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$917,604</b>	<b>\$0</b>

**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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site