

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 16, 2018**

Casa del Sol, located at 10966-10970 Ratner Street in Sun Valley, requested and is being recommended for a reservation of \$792,279 in annual federal tax credits to finance the new construction of 43 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by A Community of Friends and will be located in Senate District 18 and Assembly District 39.

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

<b>Project Number</b>	CA-18-742		
<b>Project Name</b>	Casa del Sol		
Site Address:	10966-10970 Ratner Street		
	Sun Valley, CA 91352		County: Los Angeles
Census Tract:	1221.22		

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$792,279	\$0
Recommended:	\$792,279	\$0

**Applicant Information**

Applicant:	Sun Valley Housing, L.P.
Contact:	Dora Leong Gallo
Address:	3701 Wilshire Blvd. #700 Los Angeles, CA 90010
Phone:	213-480-0809
Email:	dgallo@acof.org
General Partner(s) or Principal Owner(s):	Supportive Housing LLC
General Partner Type:	Nonprofit
Parent Company(ies):	A Community of Friends
Developer:	A Community of Friends
Investor/Consultant:	Bank of America
Management Agent:	Levine Management Group, Inc

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 44  
 No. / % of Low Income Units: 43 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (100% / 43 units)

**Bond Information**

Issuer: City of Los Angeles Housing and Community Investment Department  
 Expected Date of Issuance: November 16, 2018

**Information**

Housing Type: Special Needs  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 35% AMI: 22	51%
At or Below 50% AMI: 21	49%

**Unit Mix**

15 SRO/Studio Units  
 28 1-Bedroom Units  
1 2-Bedroom Units  
 44 Total Units

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
8 SRO/Studio	30%	30%	\$473
7 SRO/Studio	50%	50%	\$788
14 1 Bedroom	30%	30%	\$507
14 1 Bedroom	50%	50%	\$845
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$18,769,740

**Project Cost Summary at Application**

Land and Acquisition	\$2,242,000
Construction Costs	\$12,506,420
Rehabilitation Costs	\$0
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$833,000
Const. Interest, Perm. Financing	\$1,784,123
Legal Fees, Appraisals	\$45,000
Reserves	\$294,684
Other Costs	\$1,664,903
Developer Fee	\$2,430,976
Commercial Costs	\$0
<b>Total</b>	<b>\$21,801,107</b>

**Residential**

Construction Cost Per Square Foot:	\$349
Per Unit Cost:	\$495,480
True Cash Per Unit Cost*:	\$485,012

**Construction Financing**

Source	Amount
Bank of America	\$11,718,017
HCIDLA - Prop HHH PSH Loan	\$3,940,457
LACDC-MHHF	\$3,000,000
Accrued Interest	\$105,900
FHLB AHP	\$1,000,000
Costs Dererred until Conversion	\$921,482
Deferred Developer Fee	\$460,583
Tax Credit Equity	\$654,668

**Permanent Financing**

Source	Amount
Conventional Perm Loan	\$1,812,800
HCIDLA - Prop HHH PSH Loan I	\$8,065,143
LACDC MHHF	\$3,000,000
FHLB AHP	\$1,000,000
Accrued Deferred Interest	\$105,900
Deferred Developer Fee	\$460,583
Tax Credit Equity	\$7,356,681
<b>TOTAL</b>	<b>\$21,801,107</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$18,637,485
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,228,731
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$792,279
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,430,976
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.92855

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.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$18,637,485
Actual Eligible Basis:	\$18,637,485
Unadjusted Threshold Basis Limit:	\$10,835,054
Total Adjusted Threshold Basis Limit:	\$31,495,737

**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 the Low Income Units for Special Needs Population

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 48%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 102%

**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 3.27% 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.

**Significant Information / Additional Conditions:** None.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Los Angeles Housing and Community Investment Department, has completed a site review of this project and strongly supports this project.

**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.

### **CDLAC 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 on-site, or 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

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 Leadership in Energy & Environmental Design (LEED)
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.