

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 18, 2018

Western Avenue Apartments, located at 5501 S. Western Avenue in Los Angeles, requested and is being recommended for a reservation of \$344,811 in annual federal tax credits to finance the acquisition and rehabilitation of 32 units of housing serving special needs tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by BlueGreen Preservation and Development and is located in Senate District 30 and Assembly District 54.

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

Project Number CA-18-767

Project Name Western Avenue Apartments
Site Address: 5501 S. Western Avenue
Los Angeles, CA 90062 County: Los Angeles
Census Tract: 2325.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$344,811	\$0
Recommended:	\$344,811	\$0

Applicant Information

Applicant: Western Avenue Apartments Preservation, L.P
Contact: Kendall Walker
Address: 455 West 57th Street
Los Angeles, CA 90037
Phone: (310) 508-9163
Email: kwalker@fehdc.org

General Partner(s) or Principal Owner(s): Figueroa Economical Housing Development Corp.
Step Up On Second, Inc.
Veterans Housing Partnership

General Partner Type: Joint Venture

Parent Company(ies): Figueroa Economical Housing Development Corp.
Step Up On Second, Inc.
Veterans Housing Partnership

Developer: BlueGreen Preservation and Development

Investor/Consultant: Aegon Realty Advisors, LLC

Management Agent: Step Up On Second, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 33
 No. / % of Low Income Units: 32 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD VASH Project-based Vouchers (32 units / 100%)

Bond Information

Issuer: Los Angeles Housing and Community Investment Department
 Expected Date of Issuance: September 18, 2018

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 13	41%
At or Below 60% AMI: 19	59%

Unit Mix

32 SRO/Studio Units
 1 2-Bedroom Units

 33 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
13 SRO/Studio	50%	19%	\$320
19 SRO/Studio	60%	19%	\$320
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$926,640

Project Cost Summary at Application

Land and Acquisition	\$6,800,000
Construction Costs	\$0
Rehabilitation Costs	\$1,427,251
Construction Contingency	\$211,613
Relocation	\$0
Architectural/Engineering	\$218,500
Const. Interest, Perm. Financing	\$791,638
Legal Fees, Appraisals	\$138,600
Reserves	\$215,982
Other Costs	\$377,679
Developer Fee	\$1,259,116
Commercial Costs	\$0
Total	\$11,440,379

Residential

Construction Cost Per Square Foot:	\$74
Per Unit Cost:	\$346,678
True Cash Per Unit Cost*:	\$298,459

Construction Financing

Source	Amount
Red Stone	\$5,800,000
HCIDLA-Proposition HHH Loan	\$4,660,033
Deferred Developer Fee	\$49,346
Tax Credit Equity	\$931,000

Permanent Financing

Source	Amount
Red Stone	\$2,085,789
HCIDLA-Proposition HHH Loan	\$4,660,033
Seller Note	\$1,591,225
Tax Credit Equity	\$3,103,332
TOTAL	\$11,440,379

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,905,726
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,785,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,777,443
Qualified Basis (Acquisition):	\$6,785,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$122,941
Maximum Annual Federal Credit, Acquisition:	\$221,870
Total Maximum Annual Federal Credit:	\$344,811
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,259,116
Investor/Consultant:	Aegon Realty Advisors, LLC
Federal Tax Credit Factor:	\$0.90001

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:	\$9,690,726
Actual Eligible Basis:	\$9,690,726
Unadjusted Threshold Basis Limit:	\$7,432,864
Total Adjusted Threshold Basis Limit:	\$12,041,240

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
100% of the Low Income Units for Special Needs Population
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 40%

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 meet/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

This project is the conversion/rehabilitation of the old Bronco Motel (33 units) into this 33 unit tax credit project to serve homeless veterans.

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

Pursuant to TCAC regulation section 10326(g)(5), general partners and management companies lacking the documented experience with Section 42 requirements using the minimum scoring standards at regulation section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project placing in service. Specifically, the property management company, Step Up on Second, Inc., shall complete training as prescribed by TCAC prior to the project placing in service.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the 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: None.