CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

West Third Apartments, located at 1900 W. Third Street in Los Angeles, requested and is being recommended for a reservation of $1,312,213 in annual federal tax credits to finance the acquisition and rehabilitation of 136 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 24 and Assembly District 53.

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

Project Number CA-18-769

Project Name West Third Apartments
Site Address: 1900 W. Third Street
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2089.03

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,312,213	$0
Recommended:	$1,312,213	$0

Applicant Information
Applicant: West Third 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: 1
Total # of Units: 137
No. / % of Low Income Units: 136 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD VASH Project-based Vouchers (136 units / 100%)

Bond Information

Issuer: Los Angeles Housing and Community Investment Department
Expected Date of Issuance: September 15, 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:	55	40%
At or Below 60% AMI:	81	60%

Unit Mix

136	SRO/Studio Units
1	1-Bedroom Units
137	Total Units

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

TCAC-confirmed Projected Lifetime Rent Benefit: $19,275,960

Project Cost Summary at Application

Land and Acquisition	$30,000,000
Construction Costs	$0
Rehabilitation Costs	$4,863,499
Construction Contingency	$479,500
Relocation	$0
Architectural/Engineering	$180,000
Const. Interest, Perm. Financing	$2,132,341
Legal Fees, Appraisals	$198,600
Reserves	$1,404,662
Other Costs	$810,983
Developer Fee	$2,870,000
Commercial Costs	$0
Total	**$42,939,585**

Residential

Construction Cost Per Square Foot:	$79
Per Unit Cost:	$313,428
True Cash Per Unit Cost*:	$243,292

Construction Financing

Source	Amount
Red Stone	$23,000,000
HCIDLA-Proposition HHH Loan	$10,291,998
Seller Note	$4,454,608
Deferred Developer Fee	$1,650,000
Tax Credit Equity	$3,542,979

Permanent Financing

Source	Amount
Red Stone	$11,229,101
HCIDLA-Proposition HHH Loan	$10,291,998
Seller Note	$7,958,557
Deferred Developer Fee	$1,650,000
Tax Credit Equity	$11,809,929
TOTAL	**$42,939,585**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,045,303
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$30,974,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,158,894
Qualified Basis (Acquisition):	$30,974,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$299,363
Maximum Annual Federal Credit, Acquisition:	$1,012,850
Total Maximum Annual Federal Credit:	$1,312,213
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,870,000
Investor/Consultant:	Aegon Realty Advisors, LLC
Federal Tax Credit Factor:	$0.90000

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:	$38,019,303
Actual Eligible Basis:	$38,019,303
Unadjusted Threshold Basis Limit:	$30,530,530
Total Adjusted Threshold Basis Limit:	$49,459,459

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 Center Lake Hotel (137 units) into this 137 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.