

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 17, 2018**

Casa de Rosas, located at 2600 Hoover Boulevard in Los Angeles, requested and is being recommended for a reservation of \$508,352 in annual federal tax credits to finance the acquisition and rehabilitation of 36 units of housing serving special needs tenants with rents affordable to households earning 35% of area median income (AMI). The project will be developed by Ward Economic Development Corporation and is located in Senate District 30 and Assembly District 59.

The project will be receiving rental assistance in the form of HUD-VASH Project-based Vouchers. The project financing includes state funding from the CHRP-R program of HCD.

<b>Project Number</b>	CA-18-635		
<b>Project Name</b>	Casa de Rosas		
Site Address:	2600 Hoover Boulevard		
	Los Angeles, CA 90007	County:	Los Angeles
Census Tract:	2247.00		

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$508,352	\$0
Recommended:	\$508,352	\$0

**Applicant Information**

Applicant:	Casa de Rosas Campus, L.P.
Contact:	Dalila Sotelo
Address:	1100 South Hope Street, Suite 103 Los Angeles, CA 90015
Phone:	213-905-2124
Email:	dsotelo@integral-online.com
General Partner(s) or Principal Owner(s):	Ward Economic Development Corporation Integral Veteran Village, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Ward Economic Development Corporation Integral Development LLC
Developer:	Ward Economic Development Corporation
Investor/Consultant:	Citi Community Capital
Management Agent:	TELACU Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 4  
 Total # of Units: 37  
 No. / % of Low Income Units: 36 100.00%  
 Federal Set-Aside Elected: 20%/50%  
 Federal Subsidy: Tax-Exempt / HUD-VASH Project-based Vouchers (18 units / 50%)

**Bond Information**

Issuer: City of Los Angeles  
 Expected Date of Issuance: November 1, 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: 36	100%

**Unit Mix**

15 SRO/Studio Units
19 1-Bedroom Units
3 2-Bedroom Units
<hr/> 37 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
9 SRO/Studio	30%	30%	\$509
6 SRO/Studio	20%	20%	\$339
9 1 Bedroom	30%	30%	\$545
10 1 Bedroom	20%	20%	\$363
2 2 Bedrooms	20%	20%	\$436
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$26,622,420

**Project Cost Summary at Application**

Land and Acquisition	\$3,800,000
Construction Costs	\$0
Rehabilitation Costs	\$7,655,255
Construction Contingency	\$765,526
Relocation	\$0
Architectural/Engineering	\$460,000
Const. Interest, Perm. Financing	\$1,533,992
Legal Fees, Appraisals	\$255,000
Reserves	\$234,169
Other Costs	\$1,250,803
Developer Fee	\$1,800,000
Commercial Costs	\$0
<b>Total</b>	<b>\$17,754,745</b>

**Residential**

Construction Cost Per Square Foot:	\$288
Per Unit Cost:	\$479,858
True Cash Per Unit Cost*:	\$479,858

**Construction Financing**

Source	Amount
Citi Community Capital	\$10,770,765
HCD Loan (existing)	\$881,734
HCD Loan (accrued interest)	\$913,978
HCIDLA Acquisition Loan	\$2,004,288
Tax Credit Equity	\$3,183,980

**Permanent Financing**

Source	Amount
HCIDLA - HHH Loan	\$7,456,827
HCD Loan (existing)	\$881,734
HCD Loan (accrued interest)	\$913,978
HCIDLA Acquisition Loan	\$2,004,288
Historic Tax Credit Equity	\$1,973,588
Tax Credit Equity	\$4,524,330
<b>TOTAL</b>	<b>\$17,754,745</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$11,085,979
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$1,336,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$14,411,773
Qualified Basis (Acquisition):	\$1,336,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$464,665
Maximum Annual Federal Credit, Acquisition:	\$43,687
Total Maximum Annual Federal Credit:	\$508,352
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,800,000
Investor/Consultant:	Citi Community Capital
Federal Tax Credit Factor:	\$0.89000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$12,421,979
Actual Eligible Basis:	\$12,421,979
Unadjusted Threshold Basis Limit:	\$9,144,332
Total Adjusted Threshold Basis Limit:	\$27,432,996

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

**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**

This project is the conversion of vacant historic buildings which are currently owned by the City of Los Angeles into a tax credit project for homeless & formerly homeless veterans and their families. The buildings were last built out with 48 SRO units and 18 emergency shelter beds, recreational spaces, and lounges. This project will reconfigure the space into 15 studio units, 19 one-bedroom units, 3 two-bedroom units, community space, social services space, and administration space to serve the tenants.

Pursuant to TCAC Regulation Section 120326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior the project placing in service. Specifically, at least one of the co-general partners, Ward Economic Development Corporation or Integral Veteran Village, LLC shall complete the 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 City of Los Angeles Housing & 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:

- After school program on-site for a minimum of 10 hours per week
- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year

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 Green Communities