

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

Broadway Apartments, located at 301 West 49th Street in Los Angeles, requested and is being recommended for a reservation of \$355,031 in annual federal tax credits to finance the acquisition and rehabilitation of 34 units of housing serving tenants with rents affordable to households earning 50-60% AMI% 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 59.

The project will be receiving rental assistance through HUD-Veterans Affairs Supportive Housing (VASH).

Project Number CA-18-781

Project Name Broadway Apartments
 Site Address: 301 West 49th Street
 Los Angeles, CA 90037 County: Los Angeles
 Census Tract: 2319.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$355,031	\$0
Recommended:	\$355,031	\$0

Applicant Information

Applicant: Broadway 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 Corporation
 Step Up On Second, Inc.
 Veterans Housing Partnership

General Partner Type: Joint Venture
 Parent Company: Figueroa Economical Housing Development Corporation
 Step Up On Second
 Veterans Housing Partnership

Developer: BlueGreen Preservation and Development Company, LLC
 Investor: AEGON
 Management Agent: Step Up On Second

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 35
 No. / % of Low Income Units: 34 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based VASH (34 units - 100%)

Bond Information

Issuer: Los Angeles Housing and Community Investment Department
 Expected Date of Issuance: December 15, 2018

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Elaine Johnson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 50% AMI: 14	41%
At or Below 60% AMI: 20	59%

Unit Mix

26 SRO/Studio Units
 8 1-Bedroom Units
 1 2-Bedroom Units

 35 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 SRO/Studio	50%	19%	\$320
16 SRO/Studio	60%	19%	\$320
4 1 Bedroom	50%	18%	\$320
4 1 Bedroom	60%	18%	\$320
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$15,067,800

Project Cost Summary at Application

Land and Acquisition	\$7,000,000
Construction Costs	\$0
Rehabilitation Costs	\$1,351,800
Construction Contingency	\$133,380
Relocation	\$0
Architectural/Engineering	\$218,500
Const. Interest, Perm. Financing	\$787,335
Legal Fees, Appraisals	\$138,600
Reserves	\$237,219
Other Costs	\$384,655
Developer Fee	\$1,290,122
Commercial Costs	\$0
Total	\$11,541,611

Residential

Construction Cost Per Square Foot:	\$118
Per Unit Cost:	\$329,760
True Cash Per Unit Cost*:	\$315,128

Construction Financing

Source	Amount
Red Stone - Tax Exempt Bonds	\$7,000,000
LA City HHH	\$3,529,874
Tax Credit Equity	\$1,011,737

Permanent Financing

Source	Amount
Red Stone - Tax Exempt Bonds	\$3,213,548
LA City HHH	\$4,443,480
Deferred Developer Fee	\$512,126
Tax Credit Equity	\$3,372,457
TOTAL	\$11,541,611

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,220,935
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,670,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,187,216
Qualified Basis (Acquisition):	\$6,670,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$136,922
Maximum Annual Federal Credit, Acquisition:	\$218,109
Total Maximum Annual Federal Credit:	\$355,031
Approved Developer Fee (in Project Cost & Eligible Basis)	\$1,290,122
Investor/Consultant:	AEGON
Federal Tax Credit Factor:	\$0.94991

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:	\$9,890,935
Actual Eligible Basis:	\$9,890,935
Unadjusted Threshold Basis Limit:	\$8,150,516
Total Adjusted Threshold Basis Limit:	\$11,655,238

Adjustments to Basis Limit

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: 41%

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:

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

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles, 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.