**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**December 12, 2018**

Whitfield Manor, located at 12600 S. Compton Avenue in Compton, requested and is being recommended for a reservation of $479,334 in annual federal tax credits to finance the new construction & acquisition and rehabilitation of 45 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Watts Labor Community Action Committee and is located in Senate District 35 and Assembly District 64.

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

**Project Number** CA-18-653

**Project Name** Whitfield Manor
Site Address: 12600 S. Compton Ave.
Compton, CA 90222 County: Los Angeles
Census Tract: 5408.00

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $479,334 | $0 |
| Recommended: | $479,334 | $0 |

**Applicant Information**

| | |
|---|---|
| Applicant: | Whitfield Manor II, LP |
| Contact: | Naima Greffon |
| Address: | 10950 S. Central Ave.<br>Los Angeles, CA 90059 |
| Phone: | 424-241-7364 |
| Email: | ngreffon@wlcac.org |

| | |
|---|---|
| General Partner(s) or Principal Owner(s): | WLCAC Whitfield Manor, LLC |
| General Partner Type: | Nonprofit |
| Parent Company(ies): | Watts Labor Community Action Committee |
| Developer: | Watts Labor Community Action Committee |
| Investor/Consultant: | R4 Capital |
| Management Agent: | Barker Management Inc. |

**Project Information**

| | |
|---|---|
| Construction Type: | New Construction and Acquisition & Rehabilitation |
| Total # Residential Buildings: | 10 |
| Total # of Units: | 46 |
| No. / % of Low Income Units: | 45 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt / HUD Section 8 Project-based Contract (39 units / 85%) |

**Bond Information**

| | |
|---|---|
| Issuer: | Housing Authority of the County of Los Angeles |
| Expected Date of Issuance: | March 15, 2019 |

**Information**

| | |
|---|---|
| Housing Type: | Non-Targeted |
| Geographic Area: | Balance of Los Angeles County |
| TCAC Project Analyst: | Jack Waegell |

**55-Year Use / Affordability**

| Aggregate Targeting Number of Units | | Percentage of Affordable Units |
|---|---|---|
| At or Below 50% AMI: | 10 | 22% |
| At or Below 60% AMI: | 35 | 78% |

**Unit Mix**

| | |
|---|---|
| 18 | 1-Bedroom Units |
| 10 | 2-Bedroom Units |
| 18 | 3-Bedroom Units |
| 46 | Total Units |

| Unit Type & Number | | 2018 Rents Targeted % of Area Median Income | 2018 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 4 | 1 Bedroom | 50% | 50% | $908 |
| 8 | 1 Bedroom | 60% | 50% | $908 |
| 6 | 1 Bedroom | 60% | 59% | $1,076 |
| 2 | 2 Bedrooms | 50% | 50% | $1,090 |
| 8 | 2 Bedrooms | 60% | 50% | $1,090 |
| 4 | 3 Bedrooms | 50% | 50% | $1,259 |
| 13 | 3 Bedrooms | 60% | 50% | $1,259 |
| 1 | 3 Bedrooms | Manager’s Unit | Manager’s Unit | $0 |

TCAC-confirmed Projected Lifetime Rent Benefit: $8,832,780

| Project Cost Summary at Application | |
|---|---|
| Land and Acquisition | $7,116,981 |
| Construction Costs | $1,836,485 |
| Rehabilitation Costs | $2,986,641 |
| Construction Contingency | $482,314 |
| Relocation | $96,000 |
| Architectural/Engineering | $311,000 |
| Const. Interest, Perm. Financing | $889,643 |
| Legal Fees, Appraisals | $250,000 |
| Reserves | $226,000 |
| Other Costs | $498,511 |
| Developer Fee | $1,911,985 |
| Commercial Costs | $0 |
| **Total** | **$16,605,560** |

| Residential | |
|---|---|
| Construction Cost Per Square Foot: | $117 |
| Per Unit Cost: | $360,990 |
| True Cash Per Unit Cost*: | $251,643 |

**Construction Financing**

| Source | Amount |
|---|---|
| R4 Capital Funding LLC | $8,600,000 |
| Seller Carryback Loan | $5,030,000 |
| Deferred Fees & Costs | $2,520,160 |
| Tax Credit Equity | $455,400 |

**Permanent Financing**

| Source | Amount |
|---|---|
| R4 Capital Funding LLC | $6,870,000 |
| Seller Carryback Loan | $5,030,000 |
| Cash Flow from Operations | $151,560 |
| Tax Credit Equity | $4,554,000 |
| **TOTAL** | **$16,605,560** |

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

| Determination of Credit Amount(s) | |
|---|---|
| Requested Eligible Basis (NC & Rehab): | $7,459,555 |
| 130% High Cost Adjustment: | No |
| Requested Eligible Basis (Acquisition): | $7,199,000 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (New Construction & Rehabilitation): | $7,459,555 |
| Qualified Basis (Acquisition): | $7,199,000 |
| Applicable Rate: | 3.27% |
| Maximum Annual Federal Credit, NC & Rehab: | $243,927 |
| Maximum Annual Federal Credit, Acquisition: | $235,407 |
| Total Maximum Annual Federal Credit: | $479,334 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $1,911,985 |
| Investor/Consultant: | R4 Capital |
| Federal Tax Credit Factor: | $0.95007 |

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: | $14,658,555 |
| Actual Eligible Basis: | $14,658,555 |
| Unadjusted Threshold Basis Limit: | $14,849,028 |
| Total Adjusted Threshold Basis Limit: | $18,115,814 |

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 22%

**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 involves both new construction and acquisition & rehabilitation. The 7 existing buildings have 40 units (39 affordable units and 1 manager's unit) and are an expiring HUD 236 project. The new construction portion of the project will be built on a contiguous parcel and will add 6 affordable units in 3 buildings to create this tax credit project with a total of 45 tax credit units and 1 manager's unit.

**Resyndication and Resyndication Transfer Event:** None

**Local Reviewing Agency**

The Local Reviewing Agency, the County Community Development Commission of the County of Los Angeles (LACDC), has completed a site review of this project and 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