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

Building 205, located at 11301 Wilshire Boulevard in Los Angeles, requested and is being recommended for a reservation of $631,312 in annual federal tax credits to finance the rehabilitation of 67 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 26 and Assembly District 54.

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

Project Number CA-18-788

Project Name Building 205
Site Address: 11301 Wilshire Boulevard
Los Angeles, CA 90073 County: Los Angeles
Census Tract: 7011.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$631,312	$0
Recommended:	$631,312	$0

Applicant Information
Applicant: Building 205 Preservation, LP
Contact: Alejandro Lara
Address: 500 S Grand Ave, 22nd Floor
Los Angeles, CA 90003
Phone: 310-390-6731
Email: alara@bluegreenpreservation.com

General Partner(s) or Principal Owner(s): Figueroa Economical Housing Development Corp.
Step Up On Second, Inc.
Veterans Housing Partnership, LLC
General Partner Type: Joint Venture
Parent Company(ies): Figueroa Economical Housing Development Corp.
Step Up On Second, Inc.
Veterans Housing Partnership, LLC
Developer: BlueGreen Preservation and Development
Investor/Consultant: Aegon USA Realty Advisors, LLC
Management Agent: Step Up On Second, Inc.

Project Information

Construction Type:	Rehabilitation-Only
Total # Residential Buildings:	1
Total # of Units:	68
No. / % of Low Income Units:	67 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD-VASH Project-based Vouchers (67 units / 100%)

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	March 15, 2019

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:	27	40%
At or Below 60% AMI:	40	60%

Unit Mix

32	SRO/Studio Units
36	1-Bedroom Units
68	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15	SRO/Studio	50%	19%	$320
17	SRO/Studio	60%	19%	$320
12	1 Bedroom	50%	18%	$320
23	1 Bedroom	60%	18%	$320
1	1 Bedroom	Manager’s Unit	Manager’s Unit	#REF!

TCAC-confirmed Projected Lifetime Rent Benefit: $50,063,640

Project Cost Summary at Application

Land and Acquisition	$9,687,000
Construction Costs	$0
Rehabilitation Costs	$16,378,497
Construction Contingency	$2,451,674
Relocation	$0
Architectural/Engineering	$530,000
Const. Interest, Perm. Financing	$2,983,520
Legal Fees, Appraisals	$243,600
Reserves	$506,489
Other Costs	$1,015,380
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$36,296,160**

Residential

Construction Cost Per Square Foot:	$309
Per Unit Cost:	$533,767
True Cash Per Unit Cost*:	$384,587

Construction Financing

Source	Amount
Red Stone (Tax Exempt Bonds)	$21,000,000
City of Los Angeles - HHH	$12,000,000
Building 205 Holdings LLC - Seller	$391,959
Deferred Developer Fee	$1,140,000
Tax Credit Equity	$1,764,201

Permanent Financing

Source	Amount
Red Stone (Tax Exempt Bonds)	$3,852,019
City of Los Angeles - HHH	$12,000,000
Seller Note	$9,004,251
Deferred Developer Fee	$1,140,000
Historic Tax Credit Equity	$4,419,220
Tax Credit Equity	$5,880,670
TOTAL	**$36,296,160**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$19,339,246
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$0
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$19,339,246
Qualified Basis (Acquisition):	$0
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$631,312
Maximum Annual Federal Credit, Acquisition:	$0
Total Maximum Annual Federal Credit:	$631,312
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	$0.93150

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:	$19,339,246
Actual Eligible Basis:	$23,759,246
Unadjusted Threshold Basis Limit:	$16,362,952
Total Adjusted Threshold Basis Limit:	$31,362,425

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
Seismic Upgrading
Environmental Mitigation
95% of Upper Floor Units are Elevator-Serviced
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 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 acquisition and rehabilitation of a vacant office building (Building 205) that is part of the U.S. Department of Veterans Affairs (VA) West Los Angeles Veterans Administration Campus. The building will be converted into 67 units of affordable housing owned by the applicant, with the land leased from the VA. In addition, this development team plans to simultaneously rehabilitate Building 208, located next to this project on the VA campus, as tax credit project CA-18-792 and the two projects are developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). The developer fees for Building 205 and Building 208 comply with the requirements for simultaneous phases.

Originally the applicant submitted an application to TCAC for both rehabilitation tax credits and acquisition tax credits based in part on the eligible basis of the existing improvements owned by the U.S Department of Veterans Affairs. However, TCAC is making a preliminary reservation of tax credits based solely on the project's rehabilitation eligible basis. TCAC determined that in order for the existing improvements to qualify for tax credits the applicant will need to obtain guidance from the IRS to confirm that the project is eligible under IRC 42 prior to the issuance of the IRS 8609 forms. If the applicant is successful in obtaining the required guidance from the IRS and submits an application at the placed-in-service review for both rehabilitation and acquisition eligible basis and their corresponding tax credits, the acquisition eligible basis and acquisition tax credits will be limited to no more than what the applicant presented to TCAC in their original acquisition and rehabilitation application. In addition, if the IRS allows acquisition eligible basis, TCAC will also allow for acquisition-based developer fee for the project.

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.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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.