

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 20, 2019

Figueroa Oaks Apartments, located at 10210 South Figueroa Street in Los Angeles, requested and is being recommended for a reservation of \$413,536 in annual federal tax credits to finance the acquisition and rehabilitation of 32 units of housing serving families with rents affordable to households earning 45% 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 64.

Figueroa Oaks Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Figueroa Oaks (CA-96-047). See Resyndication and Resyndication Transfer Event below for additional information.

Project Number CA-19-406

Project Name Figueroa Oaks Apartments
 Site Address: 10210 South Figueroa Street
 Los Angeles, CA 90003 County: Los Angeles
 Census Tract: 2404.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$413,536	\$0
Recommended:	\$413,536	\$0

Applicant Information

Applicant: Figueroa Oaks Preservation, LP
 Contact: Alejandro Lara
 Address: 500 S Grand Avenue, 22nd Floor
 Los Angeles, CA 90071
 Phone: 310-390-6731
 Email: alara@bluegreenpreservation.com

General Partner(s) or Principal Owner(s): Figueroa Economical Housing Development Corporation
 General Partner Type: Nonprofit
 Parent Company(ies): Figueroa Economical Housing Development Corporation
 Developer: BlueGreen Preservation and Development
 Investor/Consultant: Aegon USA Realty Advisors, LLC
 Management Agent: Monfric, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 32
 No. / % of Low Income Units: 32 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: CMFA
 Expected Date of Issuance: April 15, 2019

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 31	97%

Unit Mix

6 2-Bedroom Units
20 3-Bedroom Units
6 4-Bedroom Units
<u>32 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 2 Bedrooms	45%	45%	\$982
20 3 Bedrooms*	45%	45%	\$1,134
6 4 Bedrooms	45%	45%	\$1,265

* One of the affordable 3 Bedroom units will be occupied by a tax-credit qualified property manager.

Project Cost Summary at Application

Land and Acquisition	\$9,000,000
Construction Costs	\$0
Rehabilitation Costs	\$975,294
Construction Hard Cost Contingency	\$144,000
Soft Cost Contingency	\$132,127
Relocation	\$160,000
Architectural/Engineering	\$180,000
Const. Interest, Perm. Financing	\$890,958
Legal Fees	\$190,000
Reserves	\$181,729
Other Costs	\$143,714
Developer Fee	\$1,550,806
Commercial Costs	\$0
Total	\$13,548,628

Residential

Construction Cost Per Square Foot:	\$24
Per Unit Cost:	\$423,395
True Cash Per Unit Cost*:	\$307,038

Construction Financing

<u>Source</u>	<u>Amount</u>
Red Stone Capital	\$8,000,000
LA HCID (Assumed)	\$3,607,314
Deferred Developer Fee	\$609,334
GP Capital Contribution	\$167,049
Tax Credit Equity	\$1,164,931

Permanent Financing

<u>Source</u>	<u>Amount</u>
Red Stone Capital	\$2,115,741
Seller Carryback Loan	\$3,787,417
LA HCID (Assumed)	\$3,595,316
GP Capital Contribution	\$167,049
Tax Credit Equity	\$3,883,105
TOTAL	\$13,548,628

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,548,065
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,341,450
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$3,312,485
Qualified Basis (Acquisition):	\$9,341,450
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$105,268
Maximum Annual Federal Credit, Acquisition:	\$308,268
Total Maximum Annual Federal Credit:	\$413,536
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,550,806
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	\$0.93900

March 20, 2019

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:	\$11,889,515
Actual Eligible Basis:	\$11,889,515
Unadjusted Threshold Basis Limit:	\$13,845,790
Total Adjusted Threshold Basis Limit:	\$27,691,580

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: 100%

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 3.30% 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: None

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-96-047). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-96-047) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of \$167,049. There is a general partner equity contribution of at least \$167,049, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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