

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 15, 2019

Summit View Apartments, located at 11681 Foothill Blvd in Los Angeles, requested and is being recommended for a reservation of \$1,322,797 in annual federal tax credits to finance the new construction of 48 units of housing serving special needs tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by LA Family Housing and Many Mansions, and will be located in Senate District 18 and Assembly District 39.

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

Project Number CA-19-424

Project Name Summit View Apartments
Site Address: 11681 Foothill Blvd
Los Angeles, CA 91342 **County:** Los Angeles
Census Tract: 1041.08

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,322,797	\$0
Recommended:	\$1,322,797	\$0

Applicant Information

Applicant: 11681 Foothill, LP
Contact: Daniel Huynh
Address: 7843 Lankershim Blvd
North Hollywood, CA 91605
Phone: (818) 255-2745
Email: Dhuynh@LAFH.org

General Partner(s) or Principal Owner(s): 11681 Foothill GP, LLC
General Partner Type: Nonprofit
Parent Company(ies): Many Mansions
LA Family Housing
Developer: LA Family Housing and Many Mansions
Investor/Consultant: California Housing Partnership Corporation
Management Agents: The John Stewart Company
Many Mansions

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 49
 No. / % of Low Income Units: 48 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD VASH Project-based Vouchers (48 units - 100%)

Bond Information

Issuer: HCID LA
 Expected Date of Issuance: November 1, 2019

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Pavlos Mayakis

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
50% AMI: 48	100%

Unit Mix

37 SRO/Studio Units
 11 1-Bedroom Units
 1 2-Bedroom Unit

 49 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
27 SRO/Studio	30%	30%	\$508
10 SRO/Studio	50%	50%	\$848
9 1 Bedroom	30%	30%	\$545
2 1 Bedroom	50%	50%	\$909
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,397,155
Construction Costs	\$17,539,337
Construction Hard Cost Contingency	\$1,954,149
Soft Cost Contingency	\$299,845
Architectural/Engineering	\$1,251,410
Const. Interest, Perm. Financing	\$2,512,037
Legal Fees	\$215,872
Reserves	\$413,638
Other Costs	\$1,979,387
Developer Fee	\$4,021,883
Commercial Costs	\$0
Total	\$32,584,713

Residential

Construction Cost Per Square Foot:	\$639
Per Unit Cost:	\$664,994

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$19,960,000
HCIDLA PSH HHH	\$2,562,191
LACDC AHTF + MHHP	\$5,000,000
HCID CDBG	\$650,000
Deferred Interest	\$178,800
Deferred Costs	\$1,657,575
Developer Deferred Fees	\$1,521,883
Tax Credit Equity	\$1,054,264

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$2,192,000
HCIDLA PSH HHH	\$10,560,000
LACDC AHTF + MHHP	\$5,000,000
HCID CDBG	\$650,000
Deferred Interest	\$178,800
Developer Deferred Fees	\$1,521,883
Tax Credit Equity	\$12,482,030
TOTAL	\$32,584,713

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$30,834,437
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$40,084,768
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$1,322,797
Total Maximum Annual Federal Credit:	\$1,322,797
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,021,883
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94361

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:	\$30,834,437
Actual Eligible Basis:	\$30,834,437
Unadjusted Threshold Basis Limit:	\$12,661,736
Total Adjusted Threshold Basis Limit:	\$39,111,530

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 25%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 150%

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 meet or 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

Development costs are \$664,000 per unit. Construction costs in Los Angeles have increased more than 20% in the last two years due to a labor shortage caused by high demand and the project is required to pay prevailing wages. The project is located on a hillside, increasing grading and sitework costs, and has offsite improvement costs due to its location that require grading and retaining walls. Offsite costs also include 11 street lights and a sewer extension.

Resyndication and Resyndication Transfer Event: None

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:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site