

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 15, 2019**

Isla de Los Angeles, located at 283 W. Imperial Highway in Los Angeles, requested and is being recommended for a reservation of \$974,129 in annual federal tax credits to finance the new construction of 53 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 Clifford Beers Housing and will be located in Senate District 30 and Assembly District 64.

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

Project Number CA-19-469

Project Name Isla de Los Angeles
Site Address: 283 W. Imperial Highway
Los Angeles, CA 90061 County: Los Angeles
Census Tract: 2411.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$974,129	\$0
Recommended:	\$974,129	\$0

Applicant Information

Applicant: Isla de Los Angeles, L.P.
Contact: Vanessa Luna
Address: 11739 Victory Blvd.
Los Angeles, CA 91606
Phone: 213-316-0108
Email: vluna@cbhousing.org

General Partner(s) or Principal Owner(s): Isla LA LLC
Isla de Los Angeles LLC
General Partner Type: Nonprofit
Parent Company(ies): Clifford Beers Housing, Inc.
American Family Housing
Developer: Clifford Beers Housing, Inc.
Investor/Consultant: Veloce Partners Inc.
Management Agent: Levine Management Group

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 54
No. / % of Low Income Units: 53 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (53 Units - 100%)

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: July 30, 2019

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 6	11%
60% AMI: 47	89%

Unit Mix

54 1-Bedroom Units
 54 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>
6 1 Bedroom	50%	50%	\$909
47 1 Bedroom	60%	60%	\$1,091
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$977,374
Construction Costs	\$14,141,651
Construction Hard Cost Contingency	\$1,053,575
Soft Cost Contingency	\$200,000
Architectural/Engineering	\$1,332,050
Const. Interest, Perm. Financing	\$2,109,607
Legal Fees	\$110,000
Reserves	\$570,300
Other Costs	\$1,143,787
Developer Fee	\$2,961,780
Commercial Costs	\$419,804
Total	\$25,019,928

Residential

Construction Cost Per Square Foot:	\$442
Per Unit Cost:	\$455,558

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank - T.E. Bonds	\$15,000,000	CCRC - T.E. Bonds	\$2,770,000
HCIDLA - Prop HHH Loan	\$5,396,002	HCIDLA - Prop HHH Loan	\$11,660,000
Deferred Costs	\$3,235,830	Deferred Developer Fee	\$736,624
General Partner Equity	\$100	General Partner Equity	\$600,000
Tax Credit Equity	\$1,387,996	Tax Credit Equity	\$9,253,304
		TOTAL	\$25,019,928

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,706,979
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$29,519,073
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$974,129
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,961,780
Investor/Consultant:	Veloce Partners Inc.
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:	\$22,706,979
Actual Eligible Basis:	\$22,706,979
Unadjusted Threshold Basis Limit:	\$15,435,306
Total Adjusted Threshold Basis Limit:	\$23,048,192

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
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 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: 11%

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. None

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. None