

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 2019**

Hobart Gardens, located at 1344 North Hobart Boulevard in Los Angeles, requested and is being recommended for a reservation of \$2,073,960 in annual federal tax credits to finance the acquisition and rehabilitation of 141 units of housing serving seniors with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Reiner Communities and is located in Senate District 24 and Assembly District 43.

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

Project Number CA-19-553

Project Name Hobart Gardens
Site Address: 1344 North Hobart Boulevard
Los Angeles, CA 90027 County: Los Angeles
Census Tract: 1911.10

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,073,960	\$0
Recommended:	\$2,073,960	\$0

Applicant Information

Applicant: Hobart Affordable, LP
Contact: Sean Burrowes
Address: 100 Spectrum Center Drive, Suite 830
Irvine, CA 92618
Phone: 949-753-0555
Email: sb@reinerllc.com

General Partner(s) or Principal Owner(s): Las Palmas Housing and Development Corp.
Hobart GP, LLC
General Partner Type: Joint Venture
Parent Company(ies): Las Palmas Housing and Development Corp.
Reiner Communities
Developer: Reiner Communities
Investor/Consultant: Raymond James
Management Agent: The John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 142
 No. / % of Low Income Units: 141 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (141 Units - 100%)

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: October 31, 2019

Information

Housing Type: Seniors
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 52	37%
60% AMI: 89	63%

Unit Mix

57 SRO/Studio Units
85 1-Bedroom Units
 142 Total Units

<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>
21 SRO/Studio	50%	50%	\$913
36 SRO/Studio	60%	60%	\$1,096
31 1 Bedroom	50%	50%	\$979
53 1 Bedroom	60%	60%	\$1,175
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$48,000,000
Construction Costs	\$0
Rehabilitation Costs	\$7,328,302
Construction Hard Cost Contingency	\$712,830
Soft Cost Contingency	\$10,000
Relocation	\$320,936
Architectural/Engineering	\$282,815
Const. Interest, Perm. Financing	\$1,253,237
Legal Fees	\$190,000
Reserves	\$891,490
Other Costs	\$1,381,019
Developer Fee	\$7,819,102
Commercial Costs	\$0
Total	\$68,189,731

Residential

Construction Cost Per Square Foot:	\$83
Per Unit Cost:	\$480,209
True Cash Per Unit Cost*:	\$438,633

Construction Financing

Source	Amount
Union Bank - Series A	\$43,000,000
Union Bank - Series B	\$11,500,000
Deferred Developer Fee	\$6,312,486
Tax Credit Equity	\$4,684,055

Permanent Financing

Source	Amount
Union Bank - Series A	\$43,000,000
Deferred Developer Fee	\$5,903,832
Tax Credit Equity	\$19,285,899
TOTAL	\$68,189,731

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,669,359
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$50,277,138
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,570,167
Qualified Basis (Acquisition):	\$50,277,138
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$414,814
Maximum Annual Federal Credit, Acquisition:	\$1,659,146
Total Maximum Annual Federal Credit:	\$2,073,960
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,819,102
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.92991

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:	\$59,946,497
Actual Eligible Basis:	\$61,845,044
Unadjusted Threshold Basis Limit:	\$38,427,242
Total Adjusted Threshold Basis Limit:	\$59,946,497

Adjustments to Basis Limit

- 95% of Upper Floor Units are Elevator-Serviced
- Highest or High Resource Opportunity Area
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 36%

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.