

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 16, 2019

REVISED

Woodbridge Apartments, located at 1117 Elm Avenue and 421 West 33rd Street in Long Beach, requested and is being recommended for a reservation of \$698,366 in annual federal tax credits to finance the acquisition and rehabilitation of 47 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Century Affordable Development, Inc. and is located in Senate District 33 and Assembly District 70.

Woodbridge Apartments is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Beachwood Housing (CA-93-177) and Cambridge Place (CA-93-179). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-19-565

Project Name Woodbridge Apartments

	<u>Beachwood Terrace</u>	<u>Cambridge Place</u>
Site Address:	1117 Elm Avenue	421 West 33rd Street
	Long Beach, CA 90813	Long Beach, CA 90806
	Los Angeles County	

Census Tract: 5763.01 / 5722.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$698,366	\$0
Recommended:	\$698,366	\$0

Applicant Information

Applicant: Century Affordable Development, Inc.
Contact: Oscar Alvarado
Address: 1000 Corporate Pointe
Culver City, CA 90230
Phone: (310) 642-2079
Email: oalvarado@centuryhousing.org

General Partner(s) or Principal Owner(s):	CADI XII, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Century Housing Corporation
Developer:	Century Affordable Development, Inc.
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Century Villages Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 49
 No. / % of Low Income Units: 47 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (23 Units - 49%) / HOME

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: March 1, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 10	21%
60% AMI: 37	79%

Unit Mix

2 1-Bedroom Units
30 2-Bedroom Units
17 3-Bedroom Units
<u>49 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>
4 2 Bedrooms	50%	49%	\$1,158
1 3 Bedrooms	50%	49%	\$1,338
2 1 Bedroom	60%	60%	\$1,175
5 2 Bedrooms	60%	60%	\$1,410
11 3 Bedrooms	60%	60%	\$1,623
4 2 Bedrooms	50%	44%	\$1,031
1 3 Bedrooms	50%	36%	\$984
16 2 Bedrooms	60%	54%	\$1,275
3 3 Bedrooms	60%	53%	\$1,436
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,921,600
Construction Costs	\$0
Rehabilitation Costs	\$5,298,268
Construction Hard Cost Contingency	\$529,827
Soft Cost Contingency	\$51,239
Relocation	\$300,000
Architectural/Engineering	\$362,500
Const. Interest, Perm. Financing	\$1,324,493
Legal Fees	\$145,000
Reserves	\$298,346
Other Costs	\$157,574
Developer Fee	\$2,596,151
Commercial Costs	\$0
Total	\$21,984,998

Residential

Construction Cost Per Square Foot:	\$129
Per Unit Cost:	\$448,673
True Cash Per Unit Cost*:	\$335,115

Construction Financing

Source	Amount
Union Bank	\$13,469,398
Seller Carryback Loan	\$4,225,000
Accrued Deferred Interest	\$154,012
City of Long Beach - HOME	\$1,100,000
Acquired Project Reserves	\$50,000
Costs Deferred Until Conversion	\$786,110
Short Term Work Reserve	\$275,000
General Partner Contribution	\$100
Deferred Developer Fee	\$1,339,341
Tax Credit Equity	\$586,037

Permanent Financing

Source	Amount
Union Bank	\$7,876,000
Seller Carryback Loan	\$4,225,000
Accrued Deferred Interest	\$154,012
City of Long Beach - HOME	\$1,100,000
Acquired Project Reserves	\$50,000
Income from Operations	\$358,177
Short Term Work Reserve	\$275,000
General Partner Contribution	\$100
Deferred Developer Fee	\$1,339,341
Tax Credit Equity	\$6,607,368
TOTAL	\$21,984,998

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,195,865
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$11,611,928
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,550,656
Qualified Basis (Acquisition):	\$11,611,928
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$315,172
Maximum Annual Federal Credit, Acquisition:	\$383,194
Total Maximum Annual Federal Credit:	\$698,366
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,596,151
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94612

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:	\$19,903,825
Actual Eligible Basis:	\$19,903,825
Unadjusted Threshold Basis Limit:	\$18,418,526
Total Adjusted Threshold Basis Limit:	\$25,970,121

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: 21%

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

This project consists of two existing scattered-site tax credit projects located within 3 miles of each other in the city of Long Beach. Beachwood Housing (also known as Beechwood Terrace), CA-93-177, has 23 tax-credit units and a manager's unit. This site will have the 23 project-based vouchers proposed for this scattered-site project. Cambridge Place, CA-93-179, has 24 tax-credit units and a manager's unit.

The reservation of tax credits is contingent upon TCAC receiving within 180 days of the date of reservation a commitment from the Housing Authority of the City of Long Beach to provide this project with HUD Section 8 project-based vouchers for at least 23 units, or equivalent project-based rental assistance acceptable to TCAC at TCAC's sole discretion.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the two existing Regulatory Agreements (CA-93-177 and CA-93-179). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

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 two existing regulatory agreements (CA-93-177 and CA-93-179) is a qualified low-income household for the subsequent allocation (existing household eligibility is

The two existing tax credit projects comprising this project are each under a prior Transfer Event and a recorded Capital Needs Covenant (Existing Tax Credits - Transfer) agreement with a combined \$275,000 in Short Term Work Reserve. The rehabilitation scope of work shall include all of the Short Term Work in the amount of \$275,000. The Short Term Work amount of \$275,000 is excluded from eligible basis. In addition, this project's application is a resyndication occurring concurrently with a subsequent Transfer Event without distribution of Net Project Equity and thus is waived from the requirements under TCAC regulation section 10320(b)(4)(B) for the subsequent Transfer Event.

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.