

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Berendo Sage, located at 1035 South Berendo Street in Los Angeles, requested and is being recommended for a reservation of \$804,596 in annual federal tax credits to finance the new construction of 41 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 West Hollywood Community Housing Corporation and will be located in Senate District 24 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the MHP program of HCD.

Project Number CA-20-550

Project Name Berendo Sage
 Site Address: 1035 South Berendo Street
 Los Angeles, CA 90006 County: Los Angeles
 Census Tract: 2133.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$804,596	\$0
Recommended:	\$804,596	\$0

Applicant Information

Applicant: Berendo Sage, L.P.
 Contact: Matt Mason
 Address: 7530 Santa Monica Blvd
 West Hollywood, CA 90046
 Phone: 323-650-8771
 Email: matt@whchc.org

General Partner(s) or Principal Owner(s): West Hollywood Community Housing Corporation
 Berendo Sage LLC

General Partner Type: Nonprofit

Parent Company(ies): West Hollywood Community Housing Corporation
 West Hollywood Community Housing Corporation

Developer: West Hollywood Community Housing Corporation

Investor/Consultant: Union Bank

Management Agent: Barker Management Incorporated

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 42
 No. / % of Low Income Units: 41 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (21 units - 50%)

Bond Information

Issuer: HCIDLA
 Expected Date of Issuance: September 15, 2020

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Prashil Keshav

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 21	51%
50% AMI: 20	49%

Unit Mix

5 SRO/Studio Units
 25 1-Bedroom Units
 6 2-Bedroom Units
 6 3-Bedroom Units

 42 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>
5 SRO/Studio	30%	30%	\$548
13 1 Bedroom	50%	50%	\$979
12 1 Bedroom	30%	30%	\$587
3 2 Bedrooms	50%	50%	\$1,175
2 2 Bedrooms	30%	30%	\$705
4 3 Bedrooms	50%	50%	\$1,357
2 3 Bedrooms	30%	30%	\$814
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$0
Construction Costs	\$16,176,584
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,617,658
Soft Cost Contingency	\$161,766
Relocation	\$0
Architectural/Engineering	\$731,310
Const. Interest, Perm. Financing	\$2,351,682
Legal Fees	\$175,000
Reserves	\$445,607
Other Costs	\$1,697,329
Developer Fee	\$2,962,390
Commercial Costs	\$0
Total	\$26,319,326

Residential

Construction Cost Per Square Foot:	\$458
Per Unit Cost:	\$626,651
True Cash Per Unit Cost*:	\$610,860

Construction Financing

Source	Amount
Union Bank - TE	\$13,698,311
Union Bank - Taxable	\$1,851,689
HCIDLA - HHH	\$6,620,000
Deferred Costs	\$439,614
Deferred Developer Fee	\$2,000,000
General Partner Equity	\$563,163
Tax Credit Equity	\$1,146,549

Permanent Financing

Source	Amount
Union Bank	\$1,520,000
HCD - MHP	\$8,899,300
HCIDLA - HHH	\$6,620,000
AHP	\$410,000
Deferred Developer Fee	\$663,205
General Partner Equity	\$563,163
Tax Credit Equity	\$7,643,658
TOTAL	\$26,319,326

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,906,021
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$24,906,021
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$804,596
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,962,390
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.95000
State Tax Credit Factor:	\$0.00000

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:	\$24,906,021
Actual Eligible Basis:	\$24,906,021
Unadjusted Threshold Basis Limit:	\$15,504,000
Total Adjusted Threshold Basis Limit:	\$44,660,117

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: 57%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 121%

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 3.24% 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

Staff noted a per unit development cost of \$610,860, the applicant noted that the high per unit cost is attributed to one level of below grade parking, city planning requirements and prevailing wage

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.