

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 28, 2021

Vermont Manchester Senior, located at 8500 South Vermont Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,442,268 in annual federal tax credits to finance the new construction of 60 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and will be located in Senate District 30 and Assembly District 30.

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 AHSC program of HCD.

Project Number CA-21-510

Project Name Vermont Manchester Senior
Site Address: 8500 S. Vermont Ave.
 Los Angeles, CA 90044 County: Los Angeles
Census Tract: 60372383.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,442,268	\$0
Recommended:	\$2,442,268	\$0

Applicant Information

Applicant: VM Senior LP
Contact: Kimberly McKay
Address: 600 California St., Suite 900
 San Francisco, CA 94108
Phone: 415-989-1111
Email: kmckay@bridgehousing.com

General Partner(s) or Principal Owner(s): VM Senior LLC
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing Corporation
Developer: BRIDGE Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 62
No. / % of Low Income Units: 60 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (60 units - 100%)

Bond Information

Issuer: CMFA
 Expected Date of Issuance: October 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Nick White

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 60	100%

Unit Mix

60 1-Bedroom Units
2 2-Bedroom Units
<u>62 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
60 1 Bedroom	30%	30%	\$633
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$210,000
Construction Costs	\$32,021,030
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,601,052
Soft Cost Contingency	\$307,797
Relocation	\$0
Architectural/Engineering	\$420,000
Const. Interest, Perm. Financing	\$4,205,224
Legal Fees	\$921,150
Reserves	\$943,472
Other Costs	\$3,095,015
Developer Fee	\$6,126,090
Commercial Costs	\$0
Total	\$49,850,830

Residential

Construction Cost Per Square Foot:	\$776
Per Unit Cost:	\$804,046
True Cash Per Unit Cost*:	\$737,760

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$25,978,399	US Bank	\$3,735,500
HCIDLA - HHH	\$7,513,309	HCIDLA - HHH	\$12,000,000
LACDA	\$7,000,000	LACDA	\$7,000,000
AHP	\$870,000	HCD AHSC	\$1,000,000
Cost Deferred Until Conversion	\$5,990,927	AHP	\$870,000
Deferred Developer Fee	\$483,634	Deferred Developer Fee	\$4,109,724
Tax Credit Equity	\$2,014,561	Tax Credit Equity	\$21,135,606
		TOTAL	\$49,850,830

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$47,018,452
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$61,123,988
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,442,268
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,126,090
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.86541

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:	\$47,018,452
Actual Eligible Basis:	\$47,018,452
Unadjusted Threshold Basis Limit:	\$23,552,060
Total Adjusted Threshold Basis Limit:	\$81,889,284

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

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

100% of the Low Income Units for Special Needs Population

Local Development Impact Fees

Type III Construction

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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 4.00% 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

The project's residential units are located on the 4th through the 7th floor of the building. There are two separate projects that will be constructed simultaneously along with a commercial component. Each component will have an air rights subdivision. All components will have individual ownerships and limited

This project's cost is currently estimated at \$737,760 per unit. The applicant noted the costs are attributed to the location of this infill site, the projects requirement to pay prevailing wage and the fact that its subject to a project labor agreement. In addition, the project will have subterranean parking.

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.