

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2012

Project Number CA-12-905

Project Name Hamlin Estates
 Site Address: 11735 Hamlin Street
 North Hollywood, CA 91606 County: Los Angeles
 Census Tract: 1239.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$161,723	\$0
Recommended:	\$161,723	\$0

Applicant Information

Applicant: Hampstead Hamlin Partners, L.P
 Contact: Jeff Jallo
 Address: 3413 30th Street
 San Diego, CA 92104
 Phone: (619) 543-4210 Fax: (619) 543-4220
 Email: Jeff@hampstead.com

General partner(s) or principal owner(s): CARE Housing Services Corporation
 Hampstead Hamlin Estates, LLC

General Partner Type: Joint Venture
 Developer: The Hampstead Group, Inc.
 Investor/Consultant: Boston Financial Investment Management
 Management Agent: Edgewood Management Group

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 4
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD OAHP Assumed Note &
 HUD Section 8 Project-based Contract (29 Units / 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 5
 Number of Units @ or below 60% of area median income: 24

Bond Information

Issuer: Los Angeles Housing Department
 Expected Date of Issuance: December 15, 2012
 Credit Enhancement: N/A

Information

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

Unit Mix

6 1-Bedroom Units
 21 2-Bedroom Units
 3 3-Bedroom Units

 30 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	50%	50%	\$791
4 1 Bedroom	60%	60%	\$949
2 2 Bedrooms	50%	50%	\$948
18 2 Bedrooms	60%	60%	\$1,138
2 3 Bedrooms	60%	60%	\$1,315
1 3 Bedrooms	50%	50%	\$1,096
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$6,119,954
 Estimated Residential Project Cost: \$6,119,954

Residential

Construction Cost Per Square Foot: \$85
 Per Unit Cost: \$203,998

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital-T.E. Bonds	\$3,637,473
CRA/LA - Assumed/Recast Loan	\$847,223
HUD - OAHP Note Assumption	\$223,585
Income During Constuction	\$295,720
Existing Reserves	\$59,555
Deferred Developer Fee	\$194,151
Tax Credit Equity	\$862,247

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital-T.E. Bonds	\$2,837,473
CRA/LA - Assumed/Recast Loan	\$847,223
HUD - OAHP Note Assumption	\$223,585
Income During Construction	\$295,720
Existing Reserves	\$59,555
Energy Subsidies	\$45,018
Deferred Developer Fee	\$194,151
Tax Credit Equity	\$1,617,229
TOTAL	\$6,119,954

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,041,163
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,469,426
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,653,512
Qualified Basis (Acquisition):	\$2,469,426
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$82,702
Maximum Annual Federal Credit, Acquisition:	\$79,021
Total Maximum Annual Federal Credit:	\$161,723
Approved Developer Fee (in Project Cost & Eligible Basis):	\$588,338
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$4,510,589
Actual Eligible Basis:	\$4,510,589
Unadjusted Threshold Basis Limit:	\$7,465,428
Total Adjusted Threshold Basis Limit:	\$8,734,551

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 17%

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 3.20% 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.

Special Issues/Other Significant Information: This project has an existing HUD Section 8 project-based contract covering all of the affordable units that goes until January 2026.

The applicant's estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum under regulation section 10327(c)(8)(C). At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$161,723	\$0

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

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.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- This project will be rehabilitated to improve energy efficiency to reduce energy use by at least 25% from the modeled energy consumption of the building(s) based on existing conditions, and on the building(s) percentage decrease in the estimated annual energy use (or improvement in energy efficiency) in the building's Home Energy Rating System II (HERS II) rating post-rehabilitation.
- The Project will incorporate the following energy efficient item:
 - * Photovoltaic (PV) energy generation offsetting at least 50% of the common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of the annual common area electricity use, then the project shall have onsite renewable generation based on at least 90 percent (90%) of the available solar accessible roof area).