

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**January 29, 2014**

**Project Number** CA-14-806

**Project Name** Villa Nueva  
 Site Address: 658-676 S. Ferris Avenue  
 Los Angeles, CA 90022 County: Los Angeles  
 Census Tract: 5316.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$138,174	\$0
Recommended:	\$138,174	\$0

**Applicant Information**

Applicant: Los Angeles County Housing Development Corporation  
 Contact: Carolina Romo  
 Address: 700 W. Main St.  
 Alhambra, CA 91801  
 Phone: 626-586-1824 Fax: 626-943-3815  
 Email: carolina.romo@lacdc.org

General Partner(s) or Principal Owner(s): Los Angeles County Housing Development Corp.  
 General Partner Type: Nonprofit  
 Parent Company(ies): County of Los Angeles  
 Developer: Los Angeles County Housing Development Corp.  
 Investor/Consultant: Veloce Partners, Inc.  
 Management Agent: John Stewart Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 5  
 Total # of Units: 21  
 No. & % of Tax Credit Units: 20 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (100% / 20 Units) /  
 HOME  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 20

**Bond Information**

Issuer: Housing Authority of the County of Los Angeles  
 Expected Date of Issuance: April 1, 2014  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

21 2-Bedroom Units  
 21 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 2 Bedrooms	50%	50%	\$932
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$5,231,634  
 Estimated Residential Project Cost: \$5,231,634

**Residential**

Construction Cost Per Square Foot: \$64  
 Per Unit Cost: \$249,125

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$2,300,000
HCD - Assumed/Restructured RHCP	\$992,588
Los Angeles County CDC - HOME	\$1,200,000
Cash Flow from Operations	\$64,688
Deferred Fees & Costs	\$503,625
Tax Credit Equity	\$170,734

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$500,000
HCD - Assumed/Restructured RHCP	\$992,588
Los Angeles County CDC - HOME	\$2,500,000
Cash Flow from Operations	\$64,688
Tax Credit Equity	\$1,174,358
<b>TOTAL</b>	<b>\$5,231,634</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$1,718,559
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,083,800
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,234,127
Qualified Basis (Acquisition):	\$2,083,800
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$71,492
Maximum Annual Federal Credit, Acquisition:	\$66,682
Total Maximum Annual Federal Credit:	\$138,174
Approved Developer Fee (in Project Cost & Eligible Basis):	\$489,295
Investor/Consultant:	Veloce Partners, Inc.
Federal Tax Credit Factor:	\$0.84991

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:	\$3,802,359
Actual Eligible Basis:	\$3,802,359
Unadjusted Threshold Basis Limit:	\$5,191,200
Total Adjusted Threshold Basis Limit:	\$10,382,400

**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: 100%

**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 will have HUD Section 8 project-based vouchers covering 100% of the tax credit units through the Housing Authority of the County of Los Angeles.

Due in part to Villa Nueva's small size, the applicant anticipates that the sale of its tax credits will need to be bundled with CA-14-805, Santa Monica RHCP, in order to create a larger scale investment to bring in a tax credit investor. As part of the combined tax credit investment it is anticipated that Villa Nueva will achieve an acceptable credit price of approximately \$0.85, with Santa Monica RHCP at \$1.10, for an overall credit price of approximately \$1.0275. The applicant of these two projects would have submitted them as a single tax credit application if they had been located close enough together to meet TCAC's requirements for scattered site projects.

Although no resident services are required by CDLAC or TCAC for this project, the County of Los Angeles has budgeted funds from project cash flow to provide a resident service coordinator to assist the tenants with accessing off-site services.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$138,174</b>	<b>\$0</b>

**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.

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:** None.