

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 15, 2015

Project Number CA-15-867

Project Name Bellflower Friendship Manor
 Site Address: 9550 Oak Street
 Bellflower, CA 90706 County: Los Angeles
 Census Tract: 5542.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,032,050	\$0
Recommended:	\$1,032,050	\$0

Applicant Information

Applicant: Bellflower FM Community Partners, LP
 Contact: Seth Gellis
 Address: 17782 Sky Park Circle
 Irvine, CA 92614
 Phone: (949) 236-8280 Fax: (714) 662-4412
 Email: sgellis@wncinc.com

General Partner(s) or Principal Owner(s): FFAH - Bellflower FM, LLC
 Bellflower FM GP, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Foundation for Affordable Housing, Inc.
 WNC Development Partners, LLC
 Developer: Community Preservation Partners, LLC
 Investor/Consultant: WNC & Associates
 Management Agent: FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 144
 No. & % of Tax Credit Units: 143 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (72 units - 50%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 43
 Number of Units @ or below 60% of area median income: 100

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

84 SRO/Studio Units
 60 1-Bedroom Units

 144 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
21 SRO/Studio	50%	50%	\$726
40 SRO/Studio	60%	60%	\$871
23 SRO/Studio	60%	60%	\$871
22 1 Bedroom	50%	50%	\$778
31 1 Bedroom	60%	60%	\$933
6 1 Bedroom	60%	60%	\$933
1 1 Bedroom	Manager's Unit	Manager's Unit	\$902

Project Cost Summary at Application

Land and Acquisition	\$19,149,999
Construction Costs	\$0
Rehabilitation Costs	\$5,806,180
Construction Contingency	\$586,656
Relocation	\$75,000
Architectural/Engineering	\$162,000
Construction Interest, Perm Financing	\$1,404,182
Legal Fees, Appraisals	\$157,500
Reserves	\$378,000
Other Costs	\$323,365
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$30,542,882

Project Financing

Estimated Total Project Cost:	\$30,542,882
Estimated Residential Project Cost:	\$30,542,882

Residential

Construction Cost Per Square Foot:	\$83
Per Unit Cost:	\$212,103

Construction Financing

Source	Amount
Citibank, NA	\$21,000,000
Seller Carryback Loan	\$3,500,000
Cash Flow from Operations	\$1,499,572
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$2,043,310

Permanent Financing

Source	Amount
Citibank	\$14,250,000
Seller Carryback Loan	\$3,500,000
Cash Flow From Operations	\$1,792,653
Deferred Developer Fee	\$1,102,869
Tax Credit Equity	\$9,897,360
TOTAL	\$30,542,882

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,216,764
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$19,297,812
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,981,793
Qualified Basis (Acquisition):	\$19,297,812
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$395,522
Maximum Annual Federal Credit, Acquisition:	\$636,828
Total Maximum Annual Federal Credit:	\$1,032,050
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.95900

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:	\$28,514,576
Actual Eligible Basis:	\$28,514,576
Unadjusted Threshold Basis Limit:	\$30,926,160
Total Adjusted Threshold Basis Limit:	\$43,296,624

Adjustments to Basis Limit:

95% of Upper Floor Units are Elevator-Serviced
 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
 between 50% AMI & 36% AMI: 30%

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 are below the minimum operating expenses established in the Regulations as allowed under regulation section 10327(g)(1). See the Special Issues section of this report below. 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.

Special Issues/Other Significant Information: The project has an existing HUD Section 8 project-based contract for 72 of the affordable units (50%).

The applicant's estimate of the project's operating expenses of \$4,100 per unit per year is 6.8% below the TCAC minimum operating expense requirement for this type of project of \$4,400. As allowed under TCAC Regulation Section 10327(g)(1) the operating expenses may be up to 15% below the TCAC minimum if approved by the Executive Director and confirmed by the permanent lender and the tax credit equity investor. TCAC has approved this lower operating expense figure of \$4,100 per unit.

In the sources and uses budget of the application, the developer fee included in the rehabilitation eligible basis slightly exceeded the TCAC limit. Staff adjusted accordingly. This adjustment had no effect on the project because the project has excess basis above the amount necessary for the amount of credits requested.

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
\$1,032,050	\$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 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: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site