

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 18, 2015

American Gold Star Manor, located at 3021 N. Gold Star Drive in Long Beach, requested and is being recommended for a reservation of \$3,146,547 in annual federal tax credits to finance the acquisition and rehabilitation of 337 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Abode Communities and will be located in Senate District 35 and Assembly District 70.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-15-902

Project Name American Gold Star Manor
Site Address: 3080 Gold Star Drive
Long Beach, CA 90810 County: Los Angeles
Census Tract: 5725.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,146,547	\$0
Recommended:	\$3,146,547	\$0

Applicant Information

Applicant: AGSM Renovation, L.P.
Contact: Terry Geiling
Address: 3021 N. Gold Star Drive
Long Beach, CA 90810
Phone: 562-426-7654 Fax: 562-244-7272
Email: tgeiling@goldstarmanor.org

General Partner(s) or Principal Owner(s): American Gold Star Manor
Abode Communities
General Partner Type: Nonprofit
Parent Company(ies): American Gold Star Manor
Abode Communities
Developer: Abode Communities
Investor/Consultant: MUFU Union Bank, N.A.
Management Agent: American Gold Star Manor

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 10
 Total # of Units: 348
 No. & % of Tax Credit Units: 337 97.97%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (307 units - 88%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 104
 Number of Units @ or below 60% of area median income: 233

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: January 15, 2015
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

22 SRO/Studio Units
 290 1-Bedroom Units
 36 2-Bedroom Units

 348 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>
6 SRO/Studio	50%	50%	\$726
87 1 Bedroom	50%	50%	\$778
11 2 Bedrooms	50%	50%	\$933
6 SRO/Studio	60%	52%	\$750
24 1 Bedroom	60%	59%	\$920
5 2 Bedrooms	60%	60%	\$1,119
8 SRO/Studio	60%	52%	\$750
147 1 Bedroom	60%	59%	\$920
18 2 Bedrooms	60%	60%	\$1,119
2 SRO/Studio	60%	52%	\$750
22 1 Bedroom	60%	59%	\$920
1 2 Bedrooms	60%	60%	\$1,119
4 1 Bedroom	Manager's Unit	Manager's Unit	\$920
6 1 Bedroom	Market Rate Unit	Market Rate Unit	\$400
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$400

Project Cost Summary at Application

Land and Acquisition	\$48,900,000
Construction Costs	\$0
Rehabilitation Costs	\$36,000,000
Construction Contingency	\$5,400,000
Relocation	\$1,083,300
Architectural/Engineering	\$1,120,000
Construction Interest, Perm Financing	\$6,678,601
Legal Fees, Appraisals	\$657,000
Reserves	\$2,104,000
Other Costs	\$2,099,700
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$106,542,601

Project Financing

Estimated Total Project Cost:	\$106,542,601
Estimated Residential Project Cost:	\$106,542,601

Residential

Construction Cost Per Square Foot:	\$170
Per Unit Cost:	\$306,157

Construction Financing

Source	Amount
Union Bank, N.A.	\$55,900,000
Seller Carryback Note	\$41,707,961
Accrued / Deferred Interest	\$2,344,000
Deferred Costs	\$2,909,540
General Partner Contribution	\$100
Tax Credit Equity	\$3,681,000

Permanent Financing

Source	Amount
Union Bank, N.A.	\$20,543,000
Seller Carryback Note #1	\$41,707,961
Seller Carryback Note #2	\$2,138,842
Accrued / Deferred Interest	\$2,344,000
Net Operating Income	\$2,380,000
Energy Credit Equity	\$614,200
Tax Credit Equity	\$36,814,598
TOTAL	\$106,542,601

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$51,574,050
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$32,462,730
Applicable Fraction:	97.91%
Qualified Basis (Rehabilitation):	\$65,642,656
Qualified Basis (Acquisition):	\$31,783,125
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$2,097,704
Maximum Annual Federal Credit, Acquisition:	\$1,048,843
Total Maximum Annual Federal Credit:	\$3,146,547
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank, N.A
Federal Tax Credit Factor:	\$1.17000

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	\$84,036,780
Actual Eligible Basis:	\$84,036,780
Unadjusted Threshold Basis Limit:	\$82,057,560
Total Adjusted Threshold Basis Limi	\$114,880,584

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 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 3.30% 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 proposed rents do not include any utility allowance. The project is mastered metered and the owner will pay for all utilities.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at TCAC Regulation Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The required TCAC training for the management company shall be completed and the certification of completion shall be received by TCAC prior to the project's placed in service date.

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
\$3,146,547	\$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: None