

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 20, 2016**

Jordan Downs Phase 1A, located at 9901 S. Alameda Street in Los Angeles, requested and is being recommended for a reservation of \$1,428,266 in annual federal tax credits to finance the new construction of 99 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 project-based vouchers and HUD RAD project-based vouchers. The project financing includes state funding from the AHSC program of HCD.

Project Number CA-16-907

Project Name Jordan Downs Phase 1A
Site Address: 9901 S. Alameda Street
Los Angeles, CA 90002 **County:** Los Angeles
Census Tract: 5354.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,428,266	\$0
Recommended:	\$1,428,266	\$0

Applicant Information

Applicant: BRIDGE Housing Corporation
Contact: Anna Slaby
Address: 20321 Irvine Avenue, Suite F-1
Newport Beach, CA 92660
Phone: 949-229-7076 **Fax:** 949-274-7688
Email: aslaby@bridgehousing.com

General Partner(s) or Principal Owner(s): BRIDGE Housing Corporation
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing Corporation
Developer: BRIDGE Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 12
Total # of Units: 115
No. & % of Tax Credit Units: 99 86.84%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (50 units - 44%) / HUD RAD Project-based Vouchers (31 Units - 27%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 99

Bond Information

Issuer: City of Los Angeles Housing and Community Investment Department
Expected Date of Issuance: October 1, 2016
Credit Enhancement: N/A

Information

Housing Type: Large Family
Geographic Area: City of Los Angeles
TCAC Project Analyst: Jack Waegell

Unit Mix

13 1-Bedroom Units
60 2-Bedroom Units
32 3-Bedroom Units
10 4-Bedroom Units

115 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 1 Bedroom	50%	38%	\$625
8 2 Bedrooms	50%	42%	\$822
5 3 Bedrooms	50%	48%	\$1,092
7 4 Bedrooms	50%	50%	\$1,255
1 5 Bedrooms	50%	50%	\$1,389
1 1 Bedroom	50%	50%	\$814
8 2 Bedrooms	50%	50%	\$977
4 3 Bedrooms	50%	50%	\$1,128
1 4 Bedrooms	50%	50%	\$1,258
2 1 Bedroom	50%	50%	\$814
8 2 Bedrooms	50%	50%	\$977
1 3 Bedrooms	50%	50%	\$1,128
1 4 Bedrooms	50%	50%	\$1,258
14 2 Bedrooms	50%	50%	\$977
10 3 Bedrooms	50%	50%	\$1,128
11 2 Bedrooms	50%	50%	\$977
7 3 Bedrooms	50%	50%	\$1,128
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
9 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,121
5 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,295
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$771

Project Cost Summary at Application

Land and Acquisition	\$1,410,000
Construction Costs	\$27,672,701
Rehabilitation Costs	\$0
Construction Contingency	\$1,368,635
Relocation	\$0
Architectural/Engineering	\$1,533,000
Const. Interest, Perm. Financing	\$1,795,000
Legal Fees, Appraisals	\$420,000
Reserves	\$1,018,694
Other Costs	\$3,335,809
Developer Fee	\$5,153,864
Commercial Costs	\$0
Total	\$43,707,703

Project Financing

Estimated Total Project Cost:	\$43,707,703
Estimated Residential Project Cost:	\$43,707,703
Estimated Commercial Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$206
Per Unit Cost:	\$380,067
Effective Per Unit Cost*:	\$346,990

Construction Financing

Source	Amount
Construction Loan	\$28,000,000
HCD - AHSC (HRI)	\$500,000
HACLA - Ground Lease Loan	\$1,150,000
HACLA - RHF	\$7,718,581
AHP	\$1,000,000
Deferred Costs	\$3,869,122
Tax Credit Equity	\$1,470,000

Permanent Financing

Source	Amount
Bank of America	\$9,820,000
HCD - AHSC (HRI)	\$500,000
HCD - AHSC (Cap & Trade)	\$6,000,000
HACLA - Ground Lease Loan	\$1,150,000
HACLA - RHF	\$6,630,910
AHP	\$1,000,000
Refunds	\$100,000
Deferred Developer Fee/GP Equity	\$2,653,864
Tax Credit Equity	\$15,852,929
TOTAL	\$43,707,703

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$39,812,981
130% High Cost Adjustment:	Yes
Applicable Fraction:	86.36%
Qualified Basis:	\$44,699,299
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,428,266
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,153,864
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.10994

Per Regulation Section 10322(h)(9)(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:	\$39,812,981
Actual Eligible Basis:	\$39,812,981
Unadjusted Threshold Basis Limit:	\$33,767,196
Total Adjusted Threshold Basis Limit:	\$62,806,985

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: 86%

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 3.25% 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 will have HUD Section 8 project-based vouchers for 50 affordable units and HUD RAD project-based vouchers for 31 units.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles - Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

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
\$1,428,266	\$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.