CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 17, 2017

Verdes Del Oriente, located at 360 West 3rd Street in San Pedro, requested and is being recommended for a reservation of $1,782,385 in annual federal tax credits to finance the acquisition and rehabilitation of 112 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by OAHS Verdes Developer, LLC and is located in Senate District 35 and Assembly District 70.

Verdes Del Oriente is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Verdes Del Oriente (CA-2001-904). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-17-736

Project Name Verdes Del Oriente
Site Address: 360 West 3rd Street
San Pedro, CA 90731 County: Los Angeles
Census Tract: 9845.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,782,385	$0
Recommended:	$1,782,385	$0

Applicant Information

Applicant:	OAHS Verdes Del Oriente LP
Contact:	Jay Reinhard
Address:	720 East Palisade Avenue, Suite 204 Englewood Cliffs, NJ 07632
Phone:	201-793-3121
Email:	jay@lhapts.com

General Partner(s) or Principal Owner(s):	OAHS Verdes Del Oriente GP LLC PH Fairwood Holdings, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Orbach Affordable Housing Solutions LLC Pacific Housing Inc.
Developer:	OAHS Verdes Developer, LLC
Investor/Consultant:	R4 Capital
Management Agent:	Orbach Affordable Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	26
Total # of Units:	113
No. & % of Tax Credit Units:	112 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (112 units / 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	41
Number of Units @ or below 60% of area median income:	71

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	May 24, 2017
Credit Enhancement:	N/A

Information

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

Unit Mix

8	1-Bedroom Units
35	2-Bedroom Units
54	3-Bedroom Units
16	4-Bedroom Units
113	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	1 Bedroom	60%	60%	$976
9	2 Bedrooms	50%	50%	$976
26	2 Bedrooms	60%	60%	$1,171
32	3 Bedrooms	50%	50%	$1,128
21	3 Bedrooms	60%	60%	$1,354
16	4 Bedrooms	60%	60%	$1,510
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$2,600

Projected Lifetime Rent Benefit: $98,966,340

Project Cost Summary at Application

Land and Acquisition	$36,800,000
Construction Costs	$0
Rehabilitation Costs	$8,472,504
Construction Contingency	$1,027,660
Relocation	$100,000
Architectural/Engineering	$165,000
Const. Interest, Perm. Financing	$1,311,192
Legal Fees, Appraisals	$452,500
Reserves	$760,302
Other Costs	$331,200
Developer Fee	$6,672,152
Commercial Costs	$0
Total	**$56,092,510**

Project Financing

Estimated Total Project Cost:	$56,092,510
Estimated Residential Project Cost:	$56,092,510
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$71
Per Unit Cost:	$496,394
True Cash Per Unit Cost*:	$453,685

Construction Financing

Source	Amount
R4 Capital / Permanent Loan	$33,800,000
R4 Capital / Bridge Loan	$9,200,000
Income from Operations	$587,488
Deferred Fees and Costs	$7,103,784
Tax Credit Equity	$5,401,238

Permanent Financing

Source	Amount
R4 Capital / Perm Loan	$33,800,000
Income from Operations	$587,488
Deferred Developer Fee	$4,826,154
Tax Credit Equity	$16,878,868
TOTAL	**$56,092,510**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,298,164
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$38,855,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$15,987,613
Qualified Basis (Acquisition):	$38,855,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$519,597
Maximum Annual Federal Credit, Acquisition:	$1,262,788
Total Maximum Annual Federal Credit:	$1,782,385
Approved Developer Fee in Project Cost:	$6,672,152
Approved Developer Fee in Eligible Basis:	$6,672,151
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.94698

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:	$51,153,164
Actual Eligible Basis:	$51,153,164
Unadjusted Threshold Basis Limit:	$37,719,600
Total Adjusted Threshold Basis Limit:	$58,842,576

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

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

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 applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to four (4) units that are fully mobility accessible in accordance with California Building Code Chapter 11(B) and an additional six (6) units shall be made mobility accessible in accordance with Chapter 11(B) with the exception of requirements that necessitate the movement of load-bearing walls to achieve the required clearances for the entry level powder room and entry level hallway. It is understood that the mobility accessible units will represent only two of the unit types given the multi-level townhouse design of most of the units in the project. However, the project must continue to provide at least 4% of the units with communications features that meet the requirements of Chapter 11(B).

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-904). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/2002 through 12/31/2016. The existing regulatory agreement expires 12/31/2056. The existing regulatory agreement income targeting is 12 units at or below 50% AMI and 100 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $52,617. The $52,617 of Short Term Work has been excluded from eligible basis.

Pursuant to regulation section 10326(g)(5), management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(B) shall be required to complete training as prescribed by TCAC prior to the project being placed in service. Specifically, the management company, Orbach Affordable Management LLC, shall compete training as prescribed by TCAC prior to the project being placed in service.

Local Reviewing Agency
The Local Reviewing Agency, the City of Los Angeles Housing and Community Investment Department, has completed a site review of this project and 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**
$1,782,385	**$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.