

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 17, 2017**

Harbor City Lights & Magnolia City Lights, located at 525 W. 127th Street and 2885 Leeward Avenue, respectively, in Los Angeles, requested and is being recommended for a reservation of \$716,945 in annual federal tax credits to finance the acquisition and rehabilitation of 108 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Harbor Magnolia, LLC and is located in Senate Districts 35 & 24 and Assembly Districts 64 & 53, respectively.

Harbor City Lights & Magnolia City Lights is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Harbor City Lights (CA-2000-904), and Magnolia City Lights (CA-2000-903). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-741

Project Name Harbor City Lights & Magnolia City Lights
Site Address: 525 W. 127th Street & 2885 Leeward Avenue
Los Angeles, CA 90044 & 90005 County: Los Angeles
Census Tract: 2911.1 & 2122.04

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$716,945	\$0
Recommended:	\$716,945	\$0

Applicant Information

Applicant: Levy Affiliated Holdings
Contact: Jacob Levy
Address: 201 Wilshire Blvd, 2nd Floor
Santa Monica, CA 90401
Phone: 310-883-7900 Fax: 310-917-1101
Email: jacob@levyaffiliated.com

General Partner(s) or Principal Owner(s): Central Valley Coalition for Affordable Housing
Harbor Magnolia, LLC
General Partner Type: Joint Venture
Parent Company(ies): Central Valley Coalition for Affordable Housing
Levy Affiliated
Developer: Harbor Magnolia, LLC
Investor/Consultant: Alliant Capital
Management Agent: Platinum Realty Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 110
 No. & % of Tax Credit Units: 108 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 51
 Number of Units @ or below 60% of area median income: 57

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: May 31, 2017
 Credit Enhancement: N/A

Information

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

Unit Mix

31 2-Bedroom Units
 72 3-Bedroom Units
 7 4-Bedroom Units

 110 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>
Harbor City Lights Site			
26 3 Bedrooms	35%	30%	\$677
11 2 Bedrooms	60%	60%	\$1,173
15 3 Bedrooms	60%	60%	\$1,354
3 4 Bedrooms	60%	60%	\$1,510
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
Magnolia City Lights Site			
25 3 Bedrooms	35%	30%	\$677
18 2 Bedrooms	60%	60%	\$1,173
6 3 Bedrooms	60%	60%	\$1,354
4 4 Bedrooms	60%	60%	\$1,510
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$100,551,660

Project Cost Summary at Application

Land and Acquisition	\$15,111,229
Construction Costs	\$0
Rehabilitation Costs	\$2,812,616
Construction Contingency	\$276,601
Relocation	\$75,000
Architectural/Engineering	\$115,000
Const. Interest, Perm. Financing	\$1,210,479
Legal Fees, Appraisals	\$125,000
Reserves	\$296,161
Other Costs	\$251,793
Developer Fee	\$2,697,175
Commercial Costs	\$0
Total	\$22,971,054

Project Financing

Estimated Total Project Cost:	\$22,971,054
Estimated Residential Project Cost:	\$22,971,054
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$24
Per Unit Cost:	\$208,828
True Cash Per Unit Cost*:	\$161,268

Construction Financing

Source	Amount
Tax Exempt Bonds	\$15,000,000
Seller Carryback	\$2,938,596
Operating Cash Flow	\$926,675
Deferred Developer Fee	\$2,697,175
Tax Credit Equity	\$1,408,608

Permanent Financing

Source	Amount
Tax Exempt Bonds	\$9,500,000
Seller Carryback	\$2,938,596
Operating Cash Flow	\$926,675
Deferred Developer Fee	\$2,292,944
Tax Credit Equity	\$7,312,839
TOTAL	\$22,971,054

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,605,014
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$16,073,326
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,986,518
Qualified Basis (Acquisition):	\$16,073,326
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$194,562
Maximum Annual Federal Credit, Acquisition:	\$522,383
Total Maximum Annual Federal Credit:	\$716,945
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,697,175
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$1.02000

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:	\$20,678,340
Actual Eligible Basis:	\$20,678,340
Unadjusted Threshold Basis Limit:	\$37,599,298
Total Adjusted Threshold Basis Limit:	\$72,942,638

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 94%

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

This project consists of two existing tax credit projects located approximately 10 miles apart within the City of Los Angeles. Harbor City Lights at 525 W. 127th Street is in South-Central area of Los Angeles and Magnolia City Lights at 2885 Leeward Avenue is in the Westlake/Korea Town area of Los Angeles.

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement for Harbor City Lights (CA-2000-904). 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 01/01/2001 through 12/31/2015. The existing regulatory agreement expires 12/31/2030. The existing regulatory agreement income targeting is 55 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).

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement for Magnolia City Lights (CA-2000-903). 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 01/01/2001 through 12/31/2015. The existing regulatory agreement expires 12/31/2030. The existing regulatory agreement income targeting is 53 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).

This project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work at the Magnolia City Lights site shall include all of the Short Term Work in the amount of \$50,712 and the rehabilitation scope of work at the Harbor City Lights site shall include all of the Short Term Work in the amount of \$60,692. In consideration of requirement of the Short Term Work requirement, the seller of the Magnolia City Lights project will give a credit in the amount of at least \$50,712 and the seller of the Harbor City Lights project will give a credit of at least \$60,692. As a result of the seller credits, the project is allowed to receive eligible basis for the entire Short Term Work amount.

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 takes no position on 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
\$716,945	\$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.