

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
October 18, 2017**

Good Shepherd Homes, located at 510 and 512 Centinela Avenue in Inglewood, requested and is being recommended for a reservation of \$602,036 in annual federal tax credits to finance the acquisition and rehabilitation of 69 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by BlueGreen Preservation and Development Co., LLC and is located in Senate District 30 and Assembly District 62.

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

**Project Number** CA-17-780

**Project Name** Good Shepherd Homes  
Site Address: 510 and 512 Centinela Avenue  
Inglewood, CA 90302 County: Los Angeles  
Census Tract: 6009.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$602,036	\$0
Recommended:	\$602,036	\$0

**Applicant Information**

Applicant: Good Shepherd Homes Preservation, L.P.  
Contact: Kenneth D. Higginbotham, Jr.  
Address: 510 Centinela Ave  
Inglewood, CA 90302  
Phone: 818-599-7422  
Email: kenmaren@att.net

General Partner(s) or Principal Owner(s): Good Shepherd Housing Development Corporation  
General Partner Type: Nonprofit  
Parent Company(ies): Good Shepherd Housing Development Corporation  
Developer: BlueGreen Preservation and Development Co., LLC  
Investor/Consultant: City Real Estate Advisors, Inc.  
Management Agent: Caring Housing Ministries

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 2  
 Total # of Units: 70  
 No. & % of Tax Credit Units: 69 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (39 Units / 56%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 28  
 Number of Units @ or below 60% of area median income: 41

**Bond Information**

Issuer: California Public Finance Authority  
 Expected Date of Issuance: November 1, 2017  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

10 SRO/Studio Units  
 60 1-Bedroom Units  


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 70 Total Units

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
7 SRO/Studio	50%	20%	\$323
3 SRO/Studio	60%	20%	\$323
8 1 Bedroom	50%	20%	\$333
21 1 Bedroom	60%	20%	\$333
13 1 Bedroom	50%	50%	\$845
17 1 Bedroom	60%	60%	\$1,014
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$18,155,280

**Project Cost Summary at Application**

Land and Acquisition	\$13,200,000
Construction Costs	\$0
Rehabilitation Costs	\$2,135,000
Construction Contingency	\$315,000
Relocation	\$175,000
Architectural/Engineering	\$210,000
Const. Interest, Perm. Financing	\$1,387,995
Legal Fees, Appraisals	\$138,600
Reserves	\$500,150
Other Costs	\$585,549
Developer Fee	\$2,416,439
Commercial Costs	\$0
<b>Total</b>	<b>\$21,063,734</b>

**Project Financing**

Estimated Total Project Cost:	\$21,063,734
Estimated Residential Project Cost:	\$21,063,734
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$56
Per Unit Cost:	\$300,910
True Cash Per Unit Cost*:	\$223,285

**Construction Financing**

Source	Amount
R4 Capital Funding	\$13,000,000
Seller Carryback Note	\$4,153,094
Deferred Developer Fee	\$2,230,960
Tax Credit Equity	\$1,679,680

**Permanent Financing**

Source	Amount
R4 Capital Funding	\$10,031,008
Seller Carryback Note	\$3,191,619
Deferred Developer Fee	\$2,242,173
Tax Credit Equity	\$5,598,934
<b>TOTAL</b>	<b>\$21,063,734</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,895,085
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$13,630,950
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,895,085
Qualified Basis (Acquisition):	\$13,630,950
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$159,030
Maximum Annual Federal Credit, Acquisition:	\$443,006
Total Maximum Annual Federal Credit:	\$602,036
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,416,439
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.93000

Per Regulation Section 10327(c)(6), 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:	\$18,526,035
Actual Eligible Basis:	\$18,526,035
Unadjusted Threshold Basis Limit:	\$16,077,060
Total Adjusted Threshold Basis Limit:	\$22,507,884

**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: 40%

**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 previously had a HUD 202 loan which was paid off by the seller. However, the project is still held to the requirements of the recorded HUD Section 202 Use Agreement, maturing on February 1, 2025, that requires the project to continue to provide rental housing for the elderly and persons with disabilities.

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 Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project placing in service. Specifically, the general partner, Good Shepherd Housing Development Corporation, shall complete training as prescribed by TCAC prior to this project being placed in service as CA-17-780 for this reservation of tax credits.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Inglewood, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$602,036</b>	<b>\$0</b>

**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.