

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 16, 2014**

**Project Number** CA-14-865

**Project Name** The Berendos  
 Site Address: 226 and 235 Berendo Street  
 Los Angeles, CA 90004 County: Los Angeles  
 Census Tract: 2113.200

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$544,510	\$0
Recommended:	\$544,510	\$0

**Applicant Information**

Applicant: Berendos, L.P.  
 Contact: Dora Leong Gallo  
 Address: 3701 Wilshire Blvd., Suite 700  
 Los Angeles, CA 90010  
 Phone: 213-480-0809 Fax: 213-480-4189  
 Email: dgallo@acof.org

General Partner(s) or Principal Owner(s): A Community of Friends  
 General Partner Type: Nonprofit  
 Parent Company(ies): A Community of Friends  
 Developer: A Community of Friends  
 Investor/Consultant: Enterprise Community Partners  
 Management Agent: A Community of Friends

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 2  
 Total # of Units: 72  
 No. & % of Tax Credit Units: 70 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (70 Units / 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 22  
 Number of Units @ or below 60% of area median income: 48

**Bond Information**

Issuer: HCID - City of Los Angeles  
 Expected Date of Issuance: August 15, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: Special Needs  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

60 SRO/Studio Units  
 12 1-Bedroom Units  


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 72 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
18 SRO/Studio	50%	37%	\$523
41 SRO/Studio	60%	37%	\$523
4 1 Bedroom	50%	37%	\$560
7 1 Bedroom	60%	37%	\$560
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$17,180,573  
 Estimated Residential Project Cost: \$17,180,573

**Residential**

Construction Cost Per Square Foot: \$174  
 Per Unit Cost: \$238,619

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Wells Fargo - Construction Loan	\$8,380,843
HCD - Assumed/Extended Loan	\$2,691,812
HCIDLA - Assumed/Extended Loan	\$3,187,885
Sponsor Loan	\$844,714
Tax Credit Equity	\$300,000

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
HCD - Assumed/Extended Loan	\$2,691,812
HCIDLA - Assumed/Extended Loan	\$3,187,885
LA County - Sustainable Rehab Funds	\$3,300,000
Sponsor Loan	\$844,714
Income from Operations	\$78,338
Deferred Developer Fee	\$745,278
General Partner Equity	\$645
Federal Energy Credit Equity	\$473,696
Tax Credit Equity	\$5,858,205
<b>TOTAL</b>	<b>\$17,180,573</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$8,290,085
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,428,537
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,777,111
Qualified Basis (Acquisition):	\$5,428,537
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$362,112
Maximum Annual Federal Credit, Acquisition:	\$182,398
Total Maximum Annual Federal Credit:	\$544,510
Approved Developer Fee (in Project Cost and Eligible Basis):	\$1,820,279
Investor/Consultant:	Enterprise Community Partners
Federal Tax Credit Factor:	\$1.07587

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:	\$13,718,622
Actual Eligible Basis:	\$13,718,622
Unadjusted Threshold Basis Limit:	\$13,972,776
Total Adjusted Threshold Basis Limit:	\$18,304,337

**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: 31%

**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 3.36% 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 has two existing HUD Section 8 project-based voucher contracts through the Housing Authority of the City of Los Angeles covering the 70 tax credit units (100%).

This project is composed of two separate apartment complexes. The 235 Berendo Street site is an existing tax credit project, CA-96-083, that is being re-syndicated as part of this new reservation of tax credits. The 226 Berendo Street site is not an existing tax credit project, but it is an existing affordable project restricted by the City of Los Angeles and HCD.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$544,510</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:** The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker on-site for at least 247 hours per year.