

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-828

Project Name Brethren Manor
 Site Address: 3333 Pacific Place
 Long Beach, CA 90806 County: Los Angeles
 Census Tract: 5722.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$897,816	\$0
Recommended:	\$897,816	\$0

Applicant Information

Applicant: Brethren Manor Senior Care, L.P.
 Contact: Graham Espley-Jones
 Address: 151 Kalmus Drive, Suite J-5
 Costa Mesa, CA 92626
 Phone: 714-597-8300 Fax: 714-597-8320
 Email: graham@wchousing.org

General Partner(s) or Principal Owner(s):	WCH Affordable XIII, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Western Community Housing Inc.
Developer:	Doty-Burton Associates
Investor/Consultant:	ESTAMAX Holdings I, LLC
Management Agent:	Living Opportunities Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 296
 No. & % of Tax Credit Units: 279 95.22%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 30
 Number of Units @ or below 60% of area median income: 249

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: June 3, 2015
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

189 SRO/Studio Units
 105 1-Bedroom Units
 2 2-Bedroom Units

 296 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 SRO/Studio	50%	49%	\$713
163 SRO/Studio	60%	49%	\$713
11 1 Bedroom	50%	49%	\$764
86 1 Bedroom	60%	59%	\$917
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,195
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
7 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,050
7 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,195

Project Cost Summary at Application

Land and Acquisition	\$15,000,000
Construction Costs	\$0
Rehabilitation Costs	\$8,322,031
Construction Contingency	\$703,000
Relocation	\$200,000
Architectural/Engineering	\$155,000
Construction Interest, Perm Financing	\$1,275,673
Legal Fees, Appraisals	\$215,000
Reserves	\$916,000
Other Costs	\$315,234
Developer Fee	\$2,168,458
Commercial Costs	\$0
Total	\$29,270,396

Project Financing

Estimated Total Project Cost:	\$29,270,396
Estimated Residential Project Cost:	\$29,270,396

Residential

Construction Cost Per Square Foot:	\$48
Per Unit Cost:	\$98,886

Construction Financing

Source	Amount
California Bank and Trust	\$19,000,000
Existing Project Reserves	\$850,000
Construction Period Cash Flow	\$317,640
Deferred Fees and Costs	\$1,918,457
Tax Credit Equity	\$7,184,299

Permanent Financing

Source	Amount
California Bank and Trust	\$19,000,000
Existing Project Reserves	\$850,000
Construction Period Cash Flow	\$317,640
Deferred Developer Fee	\$199,377
Tax Credit Equity	\$8,903,379
TOTAL	\$29,270,396

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,685,590
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$13,529,250
Applicable Fraction:	94.73%
Qualified Basis (Rehabilitation):	\$14,390,481
Qualified Basis (Acquisition):	\$12,816,075
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$474,886
Maximum Annual Federal Credit, Acquisition:	\$422,930
Total Maximum Annual Federal Credit:	\$897,816
Approved Developer Fee in Project Cost:	\$2,168,458
Approved Developer Fee in Eligible Basis:	\$2,168,457
Investor/Consultant:	ESTAMAX Holdings I, LLC
Federal Tax Credit Factor:	\$0.99167

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:	\$25,214,840
Actual Eligible Basis:	\$25,214,840
Unadjusted Threshold Basis Limit:	\$63,161,970
Total Adjusted Threshold Basis Limit	\$75,794,364

Adjustments to Basis Limit:

95% of Upper Floor Units are Elevator-Serviced
 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
 between 50% AMI & 36% AMI: 10%

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 are below the minimum operating expenses established in the Regulations. Please see the "Special Issues/Other Significant Information" section of the staff report. The project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.30% 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’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$4,400. As allowed by Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$3,746 on agreement of the permanent lender and equity investor.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$897,816	\$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: 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:

- High-speed Internet or wireless (WiFi)
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 30% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.