CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016

Florence Morehouse, a scattered-site project located at 910 West Florence Avenue and 1750 Martin Luther King Boulevard in Los Angeles, requested and is being recommended for a reservation of $474,823 in annual federal tax credits to finance the acquisition and rehabilitation 59 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 Century Affordable Development, Inc. and is located in Senate District 30 and Assembly District 59.

Florence Morehouse is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Florence Avenue Villa (CA-93-127), and Morehouse Apartments (CA-94-197). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-899

Project Name Florence Morehouse

	Florence Avenue Villa	**Morehouse Apartments**
Site Address:	910 West Florence Avenue Los Angeles, CA 90044	1750 Martin Luther King Boulevard Los Angeles, CA 90062
County	Los Angeles	Los Angeles
Census Tract:	2377.100	2315.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$474,823	$0
Recommended:	$474,823	$0

Applicant Information

Applicant:	Florence Morehouse, LP	
Contact:	Oscar Alvarado	
Address:	1000 Corporate Pointe Culver City, CA 90230	
Phone:	(310) 642-2079	Fax: (310) 642-2083
Email:	oalvarado@centuryhousing.org	

General Partner(s) or Principal Owner(s):	CADI VII LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Century Affordable Development Inc.
Developer:	Century Affordable Development, Inc.
Investor/Consultant:	Raymond James
Management Agent:	The John Stewart Company (MLK Blvd. Site) Levine Management Group, Inc. (Florence Ave. Site)

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	61
No. & % of Tax Credit Units:	59 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / NSP
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	38
Number of Units @ or below 60% of area median income:	21

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	November 1, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

7	1-Bedroom Units
31	2-Bedroom Units
21	3-Bedroom Units
2	4-Bedroom Units
61	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	49%	$801
4	1 Bedroom	60%	59%	$961
3	2 Bedrooms	50%	33%	$640
6	2 Bedrooms	50%	30%	$578
9	2 Bedrooms	50%	49%	$961
11	2 Bedrooms	60%	59%	$1,153
6	3 Bedrooms	50%	31%	$707
4	3 Bedrooms	50%	34%	$760
5	3 Bedrooms	50%	49%	$1,110
6	3 Bedrooms	60%	59%	$1,332
2	4 Bedrooms	50%	49%	$1,238
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$8,877,016
Construction Costs	$0
Rehabilitation Costs	$2,164,440
Construction Contingency	$322,134
Relocation	$90,000
Architectural/Engineering	$345,000
Const. Interest, Perm. Financing	$629,965
Legal Fees, Appraisals	$231,201
Reserves	$416,112
Other Costs	$444,385
Developer Fee	$1,736,560
Commercial Costs	$0
Total	**$15,256,813**

Project Financing

Estimated Total Project Cost:	$15,256,813
Estimated Residential Project Cost:	$15,256,813
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$40
Per Unit Cost:	$250,112
True Cash Per Unit Cost*:	$167,398

Construction Financing

Source	Amount
Citi Community Capital - TE Bonds	$8,935,429
HCIDLA - Loan	$2,312,358
HCIDLA - NSP	$759,758
Century Freeway Housing Program	$824,500
Accrued / Deferred Interest	$59,000
Deferred Developer Fee & Costs	$1,401,675
General Partner Equity	$100
Tax Credit Equity	$963,993

Permanent Financing

Source	Amount
Citi Community Capital	$999,600
HCIDLA - Loan	$2,312,358
HCIDLA - NSP	$759,758
Century Freeway Housing Program	$824,500
Accrued / Deferred Interest	$59,000
Seller Carryback Note	$4,940,400
Deferred Developer Fee	$105,132
General Partner Equity	$100
Tax Credit Equity	$5,255,965
TOTAL	**$15,256,813**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,326,034
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$8,992,595
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,623,844
Qualified Basis (Acquisition):	$8,992,595
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$182,564
Maximum Annual Federal Credit, Acquisition:	$292,259
Total Maximum Annual Federal Credit:	$474,823
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,736,560
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	$1.10693

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:	$13,318,629
Actual Eligible Basis:	$13,318,629
Unadjusted Threshold Basis Limit:	$17,831,380
Total Adjusted Threshold Basis Limit:	$34,592,877

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

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: 64%

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 involves the rehabilitation of a scattered-site project consisting of two (2) existing low-income housing tax credit projects approximately 2.5 miles apart from each other. Each site has its own manager's unit.

TCAC reserves the right, at its sole discretion, to require the owner to consolidate the property management duties at the two sites under a single property management company acceptable to TCAC should TCAC determine that either site has not been adequately managed. In addition, at the time the applicant submits the placed-in-service documentation to TCAC, the applicant and property management companies must designate one of the property management companies as the primary property management company for TCAC compliance purposes.

To be eligible for a new award of tax credits, the owner must provide documentation for both sites with the Form 8609 request (the placed in service submission) that the acquisition dates and the placed in service dates both occurred after their respective existing federal 15 year compliance period was completed. For the Florence Avenue Villa site (CA-93-127), the initial 15 year compliance period is from 01/01/1994 through 12/31/2008 and the existing regulatory agreement expires 12/31/2048. The existing regulatory agreement income targeting is 19 units at or below 50% AMI. For the Morehouse Apartments site (CA-94-197), the initial 15 year compliance period is from 01/01/1996 through 12/31/2010 and the existing regulatory agreement expires 12/31/2050. The existing regulatory agreement income targeting is 19 units at or below 50% AMI and 21 units at or below 60% AMI.

The project is a re-syndication that is subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA). The applicant requested and is approved to underwrite the project at the hold harmless rent limits. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge hold harmless rents for 38 units targeted at 50% AMI only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

TCAC staff noted approximately six (6) existing tenants that may not meet the deeper targeting requirements (38 units at or below 50% AMI) being proposed in the application. At the time the placed in service package is submitted to TCAC, if the project still cannot meet the deeper income targeting, then the owner shall designate as the deeply targeted units those units that are occupied by the households not receiving rental assistance who have the lowest incomes as a percentage of AMI. As units become vacant, the owner shall offer each vacant unit at the more deeply targeted levels committed to under the new CDLAC and TCAC reservation until all deeply targeted units are occupied by tenants whose incomes meet the deeper targeting income restrictions. As vacant units are occupied by tenants meeting the deeper targeting income qualifications, the owner may then raise the targeting and rent on a unit occupied by the higher income household.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus received a waiver from setting aside a Short Term Work Capitalized Replacement Reserve.

Local Reviewing Agency

The Local Reviewing Agency, City of Los Angeles - Los Angeles Housing Department, has completed a site review of this project and strongly 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
$474,823	**$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