

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
 Project Staff Report
 Qualified Private Activity Tax-Exempt Bond Project
 December 11, 2024**

Oaks on Balboa, located at 5435 - 5445 Balboa Boulevard in Los Angeles on a 2.4 acre site, requested and is being recommended for a reservation of \$3,532,183 in annual federal tax credits and \$40,000,000 of tax-exempt bond cap to finance the adaptive reuse of 117 units of housing, consisting of 116 restricted rental units and 1 unrestricted manager's unit. The project has 45 studio units, 71 one-bedroom units, and 1 two-bedroom unit, serving special needs tenants with rents affordable to households earning 30%-70% of area median income (AMI). The rehabilitation is expected to begin in July 2025 and be completed in December 2026. The project will be developed by Las Palmas Housing and Development Corporation and is located in Senate District 27 and Assembly District 46.

The project will be receiving rental assistance in the form of Flexible Housing Subsidy Pool (FHSP).

Project Number CA-24-679

Project Name Oaks on Balboa
 Site Address: 5435 - 5445 Balboa Boulevard
 Los Angeles, CA 91316
 County: Los Angeles
 Census Tract: 1396.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,532,183	\$0
Recommended:	\$3,532,183	\$0

Tax-Exempt Bond Allocation
 Recommended: \$40,000,000

CTCAC Applicant Information
 CTCAC Applicant/CDLAC Sponsor: 5435 Balboa, LP
 Contact: Brian Mikail
 Address: 5455 Wilshire Blvd, Suite 1012
 Los Angeles, CA 90036
 Phone: 310-666-6860
 Email: bmikail@capstoneequities.com

Bond Financing Information
 CDLAC Applicant/Bond Issuer: California Municipal Finance Agency
 Bond Counsel: Anzel Galvan LLP
 Private Placement Purchaser: Citibank, N.A.

Development Team

General Partner(s) or Principal Owner(s): Las Palmas Housing and Development Corporation
 Elysian Balboa, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Las Palmas Housing and Development Corporation
 Capstone Equities, LLC
 Developer: Las Palmas Housing and Development Corporation
 Investor/Consultant: R4 Capital
 Management Agent: TPC Management

Project Information

Construction Type: Adaptive Reuse
 Total # Residential Buildings: 2
 Total # of Units: 117
 No. / % of Low Income Units: 116 100.00%
 Average Targeted Affordability: 48.25%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 State Ceiling Pool: New Construction
 Set Aside: N/A
 Homeless Set Aside Units: 58
 CDLAC Project Analyst: Brandon Medina
 CTCAC Project Analyst: Cynthia Compton

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	58	50%
60% AMI:	17	15%
70% AMI*:	41	35%

*CTCAC restricted only

Unit Mix

45 SRO/Studio Units
 71 1-Bedroom Units
1 2-Bedroom Units
 117 Total Units

<u>Unit Type & Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 SRO/Studio	30%	\$728
17 SRO/Studio	60%	\$1,456
19 SRO/Studio	70%	\$1,699
49 1 Bedroom	30%	\$780
22 1 Bedroom	70%	\$1,780
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$20,765,000
Construction Costs	\$25,666,000
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,520,000
Soft Cost Contingency	\$500,000
Relocation	\$0
Architectural/Engineering	\$2,396,400
Const. Interest, Perm. Financing	\$10,491,250
Legal Fees	\$447,500
Reserves	\$950,000
Other Costs	\$2,007,800
Developer Fee	\$9,500,000
Commercial Costs	\$0
Total	\$75,243,950

Residential

Construction Cost Per Square Foot:	\$336
Per Unit Cost:	\$643,111
Estimated Hard Per Unit Cost:	\$217,231
True Cash Per Unit Cost*:	\$524,230
Bond Allocation Per Unit:	\$341,880
Bond Allocation Per Restricted Rental Unit:	\$533,333

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank, N.A.: Tax-Exempt	\$40,000,000	Citibank, N.A.: Tax-Exempt	\$29,541,951
Citibank, N.A.: Recycled Tax-Exempt	\$7,000,000	Seller Carryback	\$4,990,000
Citibank, N.A.: Taxable	\$6,000,000	Deferred Developer Fee	\$8,918,996
Seller Carryback	\$4,990,000	Tax Credit Equity	\$31,793,003
Deferred Costs	\$471,206	TOTAL	\$75,243,950
Deferred Developer Fee	\$8,918,996		
Tax Credit Equity	\$7,863,748		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$50,022,234
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$23,275,682
Applicable Fraction:	100.00%
Qualified Basis:	\$65,028,904
Qualified Basis (Acquisition):	\$23,275,682
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$2,601,156
Maximum Annual Federal Credit, Acquisition:	\$931,027
Total Maximum Annual Federal Credit:	\$3,532,183
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,500,000
Federal Tax Credit Factor:	\$0.90010

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions

This Project's annual per unit operating expense total is below the CTCAC published per unit operating minimums of \$6,110. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves an annual per unit operating expense total of \$5,725 on agreement of the permanent lender and equity investor.

This project has senior housing in combination with non-senior housing. The applicant has provided a third-party legal opinion stating that the project complies with fair housing law, per CTCAC Regulations Section 10322(h)(34).

The reservation of tax credits is contingent upon verification of the rental subsidy annual amount, number of units receiving assistance, term, and expiration date by the bond issuance deadline.

This project will include the adaptive reuse of an existing 2-story office building. Upon completion, the project will include 116 LIHTC units and 1 manager's unit.

CDLAC Analyst Comments: None.

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	10
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	120

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 85.776%