

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
August 16, 2017  
REVISED**

Jordan Downs Phase 1B, located at 2060-2390 E. Century Boulevard in Los Angeles, requested and is being recommended for a reservation of \$2,151,398 in annual federal tax credits to finance the new construction of 132 units of housing serving large families with rents affordable to households earning 35%-50% of area median income (AMI). The project will be developed by The Michaels Development Company and will be located in Senate District 33 and Assembly District 59.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and Rental Assistance Demonstration (RAD) Project-based Vouchers. The project financing includes state funding from the AHSC program of HCD.

**Project Number** CA-17-778

**Project Name** Jordan Downs Phase 1B  
Site Address: 2060-2390 E. Century Blvd.  
Los Angeles, CA 90002 County: Los Angeles  
Census Tract: 5354.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,151,398	\$0
Recommended:	\$2,151,398	\$0

**Applicant Information**

Applicant: Jordan Downs Phase 1B, L.P.  
Contact: Milton R. Pratt, Jr.  
Address: 3 East Stow Rd., Suite 100  
Marlton, NJ 08053  
Phone: (856) 797-8964 Fax: (856) 797-8956  
Email: mpratt@tmo.com

General Partner(s) or Principal Owner(s): Jordan Downs Phase 1B - Michaels LLC  
Foresight Affordable Housing-Jordan Downs, LLC  
General Partner Type: Joint Venture  
Parent Company(ies): The Michaels Development Company  
Foresight Affordable Housing, Inc.  
Developer: The Michaels Development Company  
Investor/Consultant: Riverside Capital  
Management Agent: Interstate Realty Management Co.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 15  
Total # of Units: 135  
No. & % of Tax Credit Units: 132 99.25%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (95 Units - 71%) / HUD RAD Project-based Vouchers (38 Units - 29%)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 36  
Number of Units @ or below 50% of area median income: 96

**Bond Information**

Issuer: City of Los Angeles  
Expected Date of Issuance: December 15, 2017  
Credit Enhancement: N/A

**Information**

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

**Unit Mix**

15	1-Bedroom Units
64	2-Bedroom Units
44	3-Bedroom Units
7	4-Bedroom Units
5	5-Bedroom Units
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135	Total Units

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	30%	30%	\$507
2 1 Bedroom	40%	40%	\$676
1 1 Bedroom	50%	50%	\$845
3 1 Bedroom	30%	30%	\$507
2 1 Bedroom	40%	40%	\$664
11 2 Bedrooms	30%	30%	\$608
9 2 Bedrooms	40%	40%	\$811
32 2 Bedrooms	50%	50%	\$1,013
6 2 Bedrooms	30%	30%	\$608
6 2 Bedrooms	40%	40%	\$811
2 3 Bedrooms	30%	30%	\$703
5 3 Bedrooms	40%	40%	\$937
22 3 Bedrooms	50%	50%	\$1,171
4 3 Bedrooms	30%	30%	\$703
4 3 Bedrooms	40%	40%	\$937
5 3 Bedrooms	50%	50%	\$1,171
1 4 Bedrooms	50%	50%	\$1,307
2 4 Bedrooms	30%	30%	\$784
2 4 Bedrooms	40%	40%	\$1,046
1 4 Bedrooms	50%	50%	\$1,307
2 5 Bedrooms	40%	40%	\$1,154
1 5 Bedrooms	50%	50%	\$1,442
1 5 Bedrooms	30%	30%	\$865
1 5 Bedrooms	40%	40%	\$1,154
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,180

Projected Lifetime Rent Benefit: \$76,777,140

**Project Cost Summary at Application**

Land and Acquisition	\$8,045,583
Construction Costs	\$35,312,212
Rehabilitation Costs	\$0
Construction Contingency	\$1,836,861
Relocation	\$0
Architectural/Engineering	\$2,743,448
Const. Interest, Perm. Financing	\$3,323,478
Legal Fees, Appraisals	\$230,000
Reserves	\$1,558,263
Other Costs	\$3,689,294
Developer Fee	\$3,296,706
Commercial Costs	\$0
<b>Total</b>	<b>\$60,035,845</b>

**Project Financing**

Estimated Total Project Cost:	\$60,035,845
Estimated Residential Project Cost:	\$60,035,845
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$236
Per Unit Cost:	\$444,710
True Cash Per Unit Cost*:	\$404,586

**Construction Financing**

Source	Amount
Bank of America	\$32,650,000
HACLA - Ground Lease Note	\$4,320,000
HACLA - RHF Funds Loan	\$5,000,000
HACLA - Non-federal Funds	\$2,452,575
HACLA - AHSC Grant-Funds Loan	\$2,029,943
Deferred Costs	\$1,514,492
Deferred Developer Fee	\$1,096,706
Tax Credit Equity	\$10,972,130

**Permanent Financing**

Source	Amount
Bank of America	\$11,373,000
HACLA - Ground Lease Note	\$4,320,000
HACLA - RHF Funds Loan	\$5,000,000
HACLA - Non-federal Funds	\$4,332,768
HACLA - AHSC Grant Funds Loan	\$2,029,943
HCD - AHSC Loan	\$9,939,168
Deferred Developer Fee	\$1,096,706
Tax Credit Equity	\$21,944,260
<b>TOTAL</b>	<b>\$60,035,845</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$51,467,009
130% High Cost Adjustment:	Yes
Applicable Fraction:	99.25%
Qualified Basis:	\$66,404,051
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$2,151,398
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,296,706
Investor/Consultant:	Riverside Capital
Federal Tax Credit Factor:	\$1.02000

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:	\$51,467,009
Actual Eligible Basis:	\$51,467,009
Unadjusted Threshold Basis Limit:	\$42,322,442
Total Adjusted Threshold Basis Limit:	\$95,648,719

**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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 72%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 54%

**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**

The project will have both HUD Section 8 project-based vouchers for 95 units and HUD RAD project-based vouchers for 38 units.

The project has 1 four-bedroom unit with a RAD project-based voucher that is anticipated to be used to accommodate an existing over-income family that does not qualify as a tax credit tenant/unit which results in the project having an applicable fraction of 99.25%.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Los Angeles Housing & Community Investment Department, 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>\$2,151,398</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.