

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Skid Row Central 1, located at 905 East 6th Street and 507 Maple Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,116,357 in annual federal tax credits and \$2,597,270 in total state tax credits to finance the acquisition and rehabilitation of 111 units of housing serving special needs tenants with rents affordable to households earning 20-50% of area median income (AMI). The project will be developed by Skid Row Housing Trust and will be located in Senate District 30 and Assembly District 53.

Skid Row Central 1 is a re-syndication of existing Low Income Housing Tax Credit (LIHTC) projects, Rossmore Hotel (CA-96-199) and Weldon Hotel (CA-92-020). See **Special Issues/Other Significant Information** below for additional resyndication information. The project will be receiving rental assistance in the forms of HUD Section 8 Project-based Contract, HUD Shelter Plus Care, and Los Angeles DHS Flexible Housing Subsidy Pool (FHSP). The project financing includes state funding from the VHHP program of HCD.

Project Number CA-16-848

Project Name Skid Row Central 1
Site Address: 905 East 6th Street and 507 Maple Avenue
 Los Angeles, CA 90021 & 90013 County: Los Angeles
Census Tract: 2063.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,116,357	\$2,597,270
Recommended:	\$1,116,357	\$2,597,270

Applicant Information

Applicant: Skid Row Central 1 LP
Contact: Dana Trujillo
Address: 1317 East 7th Street
 Los Angeles, CA 90021
Phone: 213-683-0522 **Fax:** 213-683-0781
Email: dana@skidrow.org

General Partner(s) / Principal Owner(s): Skid Row Central 1 GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Skid Row Housing Trust
Developer: Skid Row Housing Trust
Investor/Consultant: California Housing Partnership Corporation
Management Agent: SRHT Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 113
 No. & % of Tax Credit Units: 111 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Shelter Plus Care (24 Units - 21%) /
 HUD Section 8 Project-Based Contract (58 Units - 52%)
 HCD MHP Funding: No
 Average Targeted Affordability of Special Needs/SRO Project Units: 32.79%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 72 60 %
 40% AMI: 17 15 %
 50% AMI: 22 15 %

Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 72
 Number of Units @ or below 50% of area median income: 39

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 10/01/16
 Credit Enhancement: N/A

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/Formerly Homeless
 % of Special Need Units: 55 units 50%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: DC Navarrette

Unit Mix

112 SRO/Studio Units
 1 1-Bedroom Units

 113 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>
30 SRO/Studio	20%	20%	\$290
22 SRO/Studio	30%	30%	\$435
20 SRO/Studio	30%	30%	\$435
10 SRO/Studio	40%	40%	\$581
7 SRO/Studio	40%	40%	\$581
15 SRO/Studio	50%	27%	\$388
2 SRO/Studio	50%	46%	\$672
5 SRO/Studio	50%	50%	\$726
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$11,385,027
Construction Costs	\$0
Rehabilitation Costs	\$11,715,107
Construction Contingency	\$2,343,021
Relocation	\$74,508
Architectural/Engineering	\$764,905
Const. Interest & Perm. Financing	\$1,712,955
Legal Fees, Appraisals	\$133,750
Reserves	\$166,171
Other Costs	\$1,588,286
Developer Fee	\$3,685,278
Commercial Costs	\$0
Total	\$33,569,009

Project Financing

Estimated Total Project Cost:	\$33,569,009
Estimated Residential Project Cost:	\$33,569,009
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$327
Per Unit Cost:	\$297,071
Effective Per Unit Cost*:	\$276,407

Construction Financing

Source	Amount
Wells Fargo	\$26,941,408
Seller Carryback Loan	\$2,335,034
Greenland TFAR Payment	\$300,000
Deferred Costs	\$746,681
GP Equity - Developer Fee	\$2,285,278
Tax Credit Equity	\$960,608

Permanent Financing

Source	Amount
HCD - VHHP	\$3,141,710
HCIDLA (Recast)	\$8,964,957
Seller Carryback Loan	\$2,335,034
Greenland TFAR Payment	\$300,000
AHP	\$2,000,000
Existing Reserves	\$891,964
GP Equity - Developer Fee	\$2,285,278
Tax Credit Equity	\$13,650,066
TOTAL	\$33,569,009

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$20,318,799
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$7,935,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$26,414,439
Applicable Rate:	3.25%
Qualified Basis (Acquisition):	\$7,935,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$858,469
Maximum Annual Federal Credit, Acquisition:	\$257,888
Total Maximum Annual Federal Credit:	\$1,116,357
Total State Credit:	\$2,597,270
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,685,278
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.05289
State Tax Credit Factor:	\$0.73000

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:	\$28,253,799
Actual Eligible Basis:	\$28,253,799
Unadjusted Threshold Basis Limit:	\$21,803,676
Total Adjusted Threshold Basis Limit:	\$57,343,668

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: 35%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 128%

Tie-Breaker Information

Final: 24.667%

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 proposed rent does not include a utility allowance. The property owner will pay for all utilities.

The project involves the rehabilitation of 2 scattered-site buildings originally constructed in the 1990's in the City of Los Angeles.

The project consists of 56 Special Needs units (50%) and 55 SRO units (50%).

The applicant requested and was granted a waiver to reduce the number of restricted units at resyndication under regulation section 10326(g)(8). The Weldon site (CA-92-020) will adjust the unit count from 56 restricted units and 2 manager's units to 54 restricted units and 1 manager's unit. The Rossmore site (CA-96-199) will adjust the unit count from 58 restricted units and 2 manager's units to 57 restricted units and 1 manager's unit. This adjusted is being done to increase service space.

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement for Weldon Hotel (CA-92-020) expires 12/31/2050. The existing regulatory agreement income targeting is 56 units at or below 40% AMI. The existing regulatory agreement for Rossmore Hotel (CA-96-199) expires 12/31/2051. The existing regulatory agreement income targeting is 58 units at or below 26% of Area Median Income.

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

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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
\$1,116,357	\$2,597,270

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Total Points	116	116	116

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.