

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

January 17, 2018

McCadden Plaza Youth Housing, located at 1119 N. McCadden Place in Los Angeles, requested and is being recommended for a reservation of \$334,436 in annual federal tax credits to finance the new construction of 25 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and will be located in Senate District 26 and Assembly District 50.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-702

Project Name McCadden Plaza Youth Housing
Site Address: 1119 N. McCadden Place
Los Angeles, CA 90038 County: Los Angeles
Census Tract: 1919.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$334,436	\$0
Recommended:	\$334,436	\$0

Applicant Information

Applicant: McCadden Plaza TAY Housing LP
Contact: Andrew Gross
Address: 11812 San Vicente Blvd Suite 600
Los Angeles, CA 90049
Phone: 310-820-4888
Email: andrew@tsahousing.com

General Partner(s) or Principal Owner(s): McCadden Plaza TAY Housing LLC
McCadden Campus LLC
General Partner Type: Joint Venture
Parent Company(ies): Thomas L. Safran Living Trust
Los Angeles LGBT Center
Developer: Thomas Safran & Associates Development, Inc.
Investor/Consultant: Wells Fargo Bank, N.A.
Management Agent: Thomas Safran & Associates, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 26
 No. & % of Tax Credit Units: 25 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (25 Units - 100%)
 HOME
 HCD MHP Funding: No
 Utility Allowance: CUAC
 55-Year Use/Affordability: Yes
 Number of Units @ or below 30% of area median income 25

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: March 31, 2018

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Tiffani Negrete

Unit Mix

25 SRO/Studio Unit(s)
 1 1-Bedroom Unit(s)

 26 Total Units

<u>Unit Type & 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>
25 SRO/Studio	30%	30%	\$473
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$18,546,000

Project Cost Summary at Application

Land and Acquisition	\$293,459
Construction Costs	\$6,138,091
Rehabilitation Costs	\$0
Construction Contingency	\$634,201
Relocation	\$0
Architectural/Engineering	\$554,668
Const. Interest, Perm. Financing	\$712,975
Legal Fees, Appraisals	\$97,849
Reserves	\$145,804
Other Costs	\$936,654
Developer Fee	\$1,343,208
Commercial Costs	\$0
Total	\$10,856,909

Residential

Construction Cost Per Square Foot:	\$409
Per Unit Cost:	\$417,573
True Cash Per Unit Cost*:	\$409,249

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank, N.A.	\$7,000,000	CCRC**	\$1,250,000
HCIDLA - HHH Bonds	\$2,100,000	HCIDLA - HHH Bonds	\$5,018,298
Deferred Interest	\$28,157	HCIDLA - HOME	\$500,000
Affordable Housing Program	\$500,000	Deferred Interest	\$28,157
Deferred Developer Fee	\$1,213,582	Affordable Housing Program	\$500,000
Tax Credit Equity	\$18,817	Deferred Developer Fee	\$216,426
		Tax Credit Equity	\$3,344,028
		TOTAL	\$10,856,909

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

**California Community Reinvestment Corporation

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,297,925
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$10,297,925
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$334,801
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,343,208
Investor/Consultant:	Wells Fargo Bank, N.A.
Federal Tax Credit Factor:	\$0.99990

Per Regulation Section 10327(c)(6), 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:	\$10,297,925
Actual Eligible Basis:	\$10,297,925
Unadjusted Threshold Basis Limit:	\$5,310,260
Total Adjusted Threshold Basis Limit:	\$17,630,063

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

100% of Units for Special Needs Population

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 200%

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.

Significant Information / Additional Conditions. None.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles - Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- 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 becoming certified under Leadership in Energy & Environmental Design (LEED)
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.