

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 First Round

June 13, 2018

Florence Mills Apartments, located at 3501 S. Central Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 73 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Hollywood Community Housing Corporation and is located in Senate District 30 and Assembly District 59.

Project Number CA-18-018

Project Name Florence Mills Apartments
Site Address: 3501 S. Central Avenue
Los Angeles, CA 90011 County: Los Angeles
Census Tract: 2283.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

Applicant Information

Applicant: Hollywood Community Housing Corporation
Contact: Victoria Senna
Address: 5020 W. Santa Monica Boulevard
Los Angeles, CA 90029
Phone: 323-454-6211
Email: vsenna@hollywoodhousing.org

General Partner(s) / Principal Owner(s): Hollywood Community Housing Corporation
General Partner Type: Nonprofit
Parent Company(ies): Hollywood Community Housing Corporation
Developer: Hollywood Community Housing Corporation
Investor/Consultant: Community Housing Partnership Corporation
Management Agent(s): Barker Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 74
No. & % of Tax Credit Units: 73 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 22	30%
At or Below 50% AMI: 8	10%
At or Below 60% AMI: 43	55%

Unit Mix

13 1-Bedroom Units
37 2-Bedroom Units
24 3-BedroomUnits
74 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>
13 1 Bedroom	30%	30%	\$507
6 2 Bedrooms	30%	30%	\$608
3 3 Bedrooms	30%	30%	\$703
4 2 Bedrooms	50%	36%	\$729
1 2 Bedrooms	50%	50%	\$1,013
3 3 Bedrooms	50%	50%	\$1,171
26 2 Bedrooms	60%	43%	\$874
17 3 Bedrooms	60%	42%	\$972
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$67,326,600

Project Cost Summary at Application

Land and Acquisition	\$2,721,119
Construction Costs	\$25,246,339
Rehabilitation Costs	\$0
Construction Contingency	\$1,277,039
Relocation	\$1,373,209
Architectural/Engineering	\$1,102,488
Const. Interest, Perm. Financing	\$2,048,800
Legal Fees, Appraisals	\$89,752
Reserves	\$220,845
Other Costs	\$2,081,035
Developer Fee	\$2,000,000
Commercial Costs	\$2,090,490
Total	\$40,251,116

Residential

Construction Cost Per Square Foot:	\$349
Per Unit Cost:	\$514,191
True Cash Per Unit Cost*:	\$506,516

Construction Financing

Source	Amount
Bank of America	\$23,216,155
AHPP - Metropolis Funds	\$1,605,973
CRA/LA	\$3,100,000
HCID - AHTF	\$7,783,143
AHP	\$730,000
Deferred Costs	\$951,845
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$2,264,000

Permanent Financing

Source	Amount
Bank of America	\$2,793,000
AHPP - Metropolis Funds	\$1,605,973
CRA/LA	\$3,100,000
HCID - AHTF	\$7,783,143
AHP	\$730,000
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$23,639,000
TOTAL	\$40,251,116

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$30,156,984
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,204,079
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94556

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$30,156,984
Actual Eligible Basis:	\$32,666,256
Unadjusted Threshold Basis Limit:	\$21,476,774
Total Adjusted Threshold Basis Limit:	\$30,156,984

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

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Large Family
Final:	42.728%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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

The total development cost per unit is \$543,934. The main factor contributing to the high cost per unit is attributed to the demolition of the existing building and the regulations that govern asbestos and lead-based paint abatement project. Additionally, the project is subject to the City’s prevailing wage requirements.

Resyndication and Resyndication Transfer Event: None.

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, Los Angeles Housing and Community Investment Department, has completed a site review of this project and Strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 allocation 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 fifteen 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)(5) 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.

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 mile of public library	2	2	2
Wadsworth Avenue Elementary School	3	3	3
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

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.