

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 First Round**

**June 13, 2018**

McCadden Campus Senior Housing, located at 1118 N. McCadden Place in Los Angeles, requested and is being recommended for a reservation of \$1,184,781 in annual federal tax credits and \$4,619,445 in total state tax credits to finance the new construction of 97 units of housing serving seniors with rents affordable to households earning 30-60% 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-18-726

**Project Name** McCadden Campus Senior Housing  
**Site Address:** 1118 N. McCadden Place  
Los Angeles, CA 90038 County: Los Angeles  
**Census Tract:** 1919.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,184,781	\$4,619,445
Recommended:	\$1,184,781	\$4,619,445

\* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

**Applicant:** McCadden Plaza LP  
**Contact:** Tyler Monroe  
**Address:** 11812 San Vicente Blvd  
Los Angeles, CA 90049  
**Phone:** (310) 820-4888  
**Email:** tyler@tsahousing.com

**General Partner(s) / Principal Owner(s):** McCadden Plaza Affordable Housing LLC  
McCadden Campus LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Thomas L. Safran  
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: 98  
 No. / % of Low Income Units: 97 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / FHA 221(d)(4) / CDBG /  
 HUD Section 8 Project-based Vouchers (25 Units - 25%)  
 Utility Allowance: CUAC

**Bond Information**

Issuer: City of Los Angeles  
 Expected Date of Issuance: 12/01/18  
 Credit Enhancement: FHA 221(d)(4)

**Information**

Set-Aside: N/A  
 Housing Type: Seniors  
 Geographic Area: Los Angeles County  
 TCAC Project Analyst: Tiffani Negrete

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 25	25%
At or Below 50% AMI: 31	30%
At or Below 60% AMI: 41	40%

**Unit Mix**

19 SRO/Studio Units
75 1-Bedroom Units
4 2-Bedroom Units
<hr/>
98 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>
5 SRO/Studio	30%	30%	\$473
7 SRO/Studio	50%	50%	\$788
7 SRO/Studio	60%	60%	\$946
19 1 Bedroom	30%	30%	\$507
22 1 Bedroom	50%	50%	\$845
34 1 Bedroom	60%	60%	\$1,014
1 2 Bedrooms	30%	30%	\$608
1 2 Bedrooms	50%	50%	\$1,013
1 2 Bedrooms	50%	50%	\$1,013
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,500

TCAC-confirmed Projected Lifetime Rent Benefit: \$71,890,500

**Project Cost Summary at Application**

Land and Acquisition	\$5,500,158
Construction Costs	\$21,816,800
Rehabilitation Costs	\$0
Construction Contingency	\$2,243,534
Relocation	\$0
Architectural/Engineering	\$1,877,950
Const. Interest, Perm. Financing	\$3,639,522
Legal Fees, Appraisals	\$175,000
Reserves	\$269,645
Other Costs	\$2,349,577
Developer Fee	\$4,725,890
Commercial Costs	\$0
<b>Total</b>	<b>\$42,598,076</b>

**Residential**

Construction Cost Per Square Foot:	\$286
Per Unit Cost:	\$434,674
True Cash Per Unit Cost*:	\$395,580

**Construction Financing**

Source	Amount
Wells Fargo - T.E. Bonds	\$12,372,000
Citibank - T.E. Bonds	\$10,128,000
HCIDLA - CDBG	\$4,930,158
HCIDLA - Prop HHH PSH	\$5,500,000
LA County CDC	\$1,500,000
AHP	\$1,215,000
Deferred Interest	\$187,308
Deferred Developer Fee	\$4,225,890
Tax Credit Equity	\$2,269,197

**Permanent Financing**

Source	Amount
PNC Bank - HUD 221(d)(4)	\$10,128,000
HCIDLA - CDBG	\$4,930,158
HCIDLA - HHH	\$5,500,000
LA County CDC	\$1,500,000
AHP	\$1,215,000
Deferred Interest	\$187,308
Deferred Developer Fee	\$3,831,200
Tax Credit Equity	\$15,306,410
<b>TOTAL</b>	<b>\$42,598,076</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$36,231,825
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$36,231,825
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$1,184,781
Total State Credit:	\$4,619,445
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,725,890
Investor/Consultant:	Wells Fargo Bank, N.A.
Federal Tax Credit Factor:	\$0.98000
State Tax Credit Factor:	\$0.80000

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:	\$36,231,825
Actual Eligible Basis:	\$36,231,825
Unadjusted Threshold Basis Limit:	\$24,717,188
Total Adjusted Threshold Basis Limit:	\$52,153,267

**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  
95% of Upper Floor Units are Elevator-Serviced  
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 32%  
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 50%

**Tie-Breaker Information**

Final: 48.712%

**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 meet 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 3.27% 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**

TCAC is allowing CUAC utility allowances for all low-income units. TCAC will re-evaluate the project at placed in service if staff determines that subsidized units are not eligible for the CUAC.

The project has a commitment from the Housing Authority of the City of Los Angeles for 25 HUD Section 8 project-based vouchers.

**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 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.

### **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 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.

### **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

- Instructor-led educational classes, health and wellness or skill-building classes on-site 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 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.

<b>Points System</b>	<b>Max. Possible</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
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
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Total Points</b>	<b>111</b>	<b>111</b>	<b>111</b>

**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.**