

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2018 First Round
June 13, 2018

Senator Apartments, located at 729 South Main Street in Los Angeles, requested and is being recommended for a reservation of \$792,223 in annual federal tax credits and \$1,841,963 in total state tax credits to finance the acquisition and rehabilitation of 97 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by The Skid Row Housing Trust and will be located in Senate District 50 and Assembly District 53.

Senator Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Senator Hotel (CA-92-021). See **Resyndication and Resyndication Transfer Event** below for additional information. The project financing includes state funding from the VHHP program of HCD.

Project Number	CA-18-732
Project Name	Senator Apartments
Site Address:	729 South Main Street Los Angeles, CA 90013 County: Los Angeles
Census Tract:	2073.01

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$792,223	\$1,841,963
Recommended:	\$792,223	\$1,841,963

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant:	The Skid Row Housing Trust
Contact:	Ben Rosen
Address:	1317 East 7th Street Los Angeles, CA 90021
Phone:	213-683-0522
Email:	ben.rosen@skidrow.org

General Partner(s) / Principal Owner(s):	Senator 2015 GP LLC
General Partner Type:	Nonprofit
Parent Company(ies):	The Skid Row Housing Trust
Developer:	The Skid Row Housing Trust
Investor/Consultant:	National Equity Fund
Management Agent:	The Skid Row Housing Trust Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 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

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: 12/01/18

Information

Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless and persons with physical, mental, development disabilities
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 % of Special Need Units: 49 units 50%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of Affordable</u> <u>Units</u>
At or Below 30% AMI: 20	20%
At or Below 40% AMI: 38	35%
At or Below 50% AMI: 20	20%
At or Below 60% AMI: 19	20%

Unit Mix

97 SRO/Studio Units
1 1-Bedroom Units
<u>98 Total Units</u>

<u>Unit Type & Number</u>	<u>2017 Rents</u> <u>Targeted % of Area</u> <u>Median Income</u>	<u>2017 Rents</u> <u>Actual % of</u> <u>Area Median</u> <u>Income</u>	<u>Proposed Rent</u> <u>(including</u> <u>utilities)</u>
20 SRO/Studio	30%	30%	\$473
26 SRO/Studio	40%	40%	\$631
30 SRO/Studio	40%	40%	\$631
1 SRO/Studio	40%	25%	\$388
4 SRO/Studio	50%	44%	\$692
16 SRO/Studio	50%	25%	\$388
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$33,533,280

Project Cost Summary at Application

Land and Acquisition	\$6,096,619
Construction Costs	\$0
Rehabilitation Costs	\$8,481,338
Construction Contingency	\$925,966
Relocation	\$232,500
Architectural/Engineering	\$527,310
Const. Interest, Perm. Financing	\$1,533,384
Legal Fees, Appraisals	\$139,600
Reserves	\$866,447
Other Costs	\$1,287,444
Developer Fee	\$2,605,300
Commercial Costs	\$0
Total	\$22,695,907

Residential

Construction Cost Per Square Foot:	\$361
Per Unit Cost:	\$231,591
True Cash Per Unit Cost*:	\$225,979

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Union Bank	\$12,600,000	HCD - VHHP	\$3,813,720
HCIDLA - CRA Recast Loan	\$6,086,619	HCIDLA - CRA Recast Loan	\$6,086,619
Sponsor Loan	\$340,144	HCIDLA - Deferred Interest	\$342,068
Deferred Costs	\$1,080,714	AHP	\$2,000,000
Deferred Developer Fee	\$550,000	Sponsor Loan	\$340,144
General Partner Equity	\$1,355,890	Deferred Developer Fee	\$550,000
Tax Credit Equity	\$682,540	General Partner Equity	\$1,355,890
		Tax Credit Equity	\$8,207,466
		TOTAL	\$22,695,907

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$14,176,816
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$5,797,150
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$18,429,860
Applicable Rate:	3.27%
Qualified Basis (Acquisition):	\$5,797,150
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$602,656
Maximum Annual Federal Credit, Acquisition:	\$189,567
Total Maximum Annual Federal Credit:	\$792,223
Total State Credit:	\$1,841,963
Approved Developer Fee (in Project Cost & Eligible Basis)	\$2,605,300
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.85000
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:	\$19,973,966
Actual Eligible Basis:	\$19,973,966
Unadjusted Threshold Basis Limit:	\$21,849,052
Total Adjusted Threshold Basis Limit:	\$47,849,424

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units ar
Income Targeted between 50% AMI & 36% AMI: 79%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units ar
Income Targeted at 35% AMI or Below: 40%

Tie-Breaker Information

Final: **69.120%**

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 3.27% 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

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

The project requested and has been granted a waiver from the Executive Director of the SRO square footage requirements of Section 10325(g)(3)(B) in light of the existing building's configuration.

The project has rental subsidy from the Department of Health Services - Flexible Housing Subsidy Pool (DHS-FHSP). One of DHS-FHSP's requirements to the project is that the units receiving rental assistance be vacant and reserved for homeless persons at the time of lease up after the resyndication. The Executive Director has granted a waiver from TCAC's policy regarding vacancies pending a rehabilitation allowing Skid Row Housing Trust to hold vacant up to 30 units prior to the resyndication placed in service date.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1992-021). 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 newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-92-021) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a re-syndication occurring concurrently with a Transfer Event that qualified for an exemption because it is a transfer of the project in which the debt encumbering the project is not increased, refinanced, or otherwise modified.

The project requested permission and has been granted approval by TCAC's Executive Director to reduce the current 98 restricted units (99 total units) to 97 restricted units (98 total units) in order to provide on-site community space for the provision of supportive services under TCAC Regulation Section 10326(g)(8).

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 Community and Investment Department, has completed a site review of this project and 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.

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

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: None.

Points System	Max. Possible	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 ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. 1 FTE per 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating) 15%	3	3	3
NEW CONSTRUCTION/ADAPTIVE REUSE/REHABILITATION			
Water Efficiency Use no irrigation at all	3	3	3
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	10	10	10
Total Points	111	111	111

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.