

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 First Round

June 13, 2018

FLOR 401 Lofts, located at 401 E. 7th Street in Los Angeles, requested and is being recommended for a reservation of \$1,679,942 in annual federal tax credits and \$5,136,923 in total state tax credits to finance the new construction of 98 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 Skid Row Housing Trust and will be located in Senate District 30 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD VASH Project-based Vouchers and rental assistance from the County of Los Angeles Department of Health Services. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-18-736

Project Name FLOR 401 Lofts
Site Address: 401 E. 7th Street
Los Angeles, CA 90014 County: Los Angeles
Census Tract: 2063.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,679,942	\$5,136,923
Recommended:	\$1,679,942	\$5,136,923

* 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 90014
Phone: 213-683-0522
Email: ben.rosen@skidrow.org

General Partner(s) / Principal Owner(s): FLOR 401 Lofts 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: SRHT Property Management Co.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 99
 No. / % of Low Income Units: 98 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD VASH Project-based Vouchers
 (44 units - 44%)

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: 12/01/18

Information

Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless / 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: Carmen Doonan

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 20	20%
At or Below 40% AMI: 58	59%
At or Below 50% AMI: 20	20%

Unit Mix

98 SRO/Studio Units
 1 2-Bedroom Units

 99 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>
20 SRO/Studio	30%	30%	\$473
44 SRO/Studio	40%	30%	\$473
5 SRO/Studio	40%	30%	\$473
9 SRO/Studio	40%	40%	\$631
20 SRO/Studio	50%	50%	\$788
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$73,980,720

Project Cost Summary at Application

Land and Acquisition	\$6,902,401
Construction Costs	\$25,624,536
Rehabilitation Costs	\$0
Construction Contingency	\$1,333,654
Relocation	\$0
Architectural/Engineering	\$2,089,895
Const. Interest, Perm. Financing	\$3,850,742
Legal Fees, Appraisals	\$101,800
Reserves	\$777,856
Other Costs	\$3,852,316
Developer Fee	\$5,154,618
Commercial Costs	\$0
Total	\$49,687,818

Residential

Construction Cost Per Square Foot:	\$484
Per Unit Cost:	\$501,897
True Cash Per Unit Cost*:	\$463,972

Construction Financing

Source	Amount
US Bank	\$28,925,711
AHP	\$2,000,000
HCIDLA - HOME	\$1,001,892
HCIDLA - HHH ¹	\$8,000,000
LA County CDC ²	\$1,500,000
Deferred Costs	\$1,822,062
Deferred Developer Fee	\$3,754,618
Limited Partner Equity	\$2,683,535

Permanent Financing

Source	Amount
US Bank	\$4,578,100
AHP	\$2,000,000
HCIDLA - HOME	\$1,001,892
HCIDLA - HHH ¹	\$11,980,000
LA County CDC ²	\$1,500,000
HCD - VHHP	\$5,715,639
Commercial Revenue ³	\$559,000
Deferred Developer Fee	\$3,754,618
Tax Credit Equity	\$18,598,569
TOTAL	\$49,687,818

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

¹Housing and Community Investment Department of the City of Los Angeles - Proposition HHH

²LA County Community Development Commission

³Rent reserve from commercial tenant

Determination of Credit Amount(s)

Requested Eligible Basis:	\$39,518,741
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$51,374,363
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$1,679,942
Total State Credit:	\$5,136,923
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,154,618
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.86247
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:	\$39,518,741
Actual Eligible Basis:	\$39,518,741
Unadjusted Threshold Basis Limit:	\$22,124,596
Total Adjusted Threshold Basis Limit:	\$57,523,950

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:
 - New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC
- 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: 79%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 40%

Tie-Breaker Information

Final: **81.262%**

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.

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, the City of Los Angeles, 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.

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: 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 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
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
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	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	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