

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

Elden Elms, located at 1255 Elden Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$9,214,067 in total state tax credits to finance the new construction of 92 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 West Hollywood Community Housing Corporation and will be located in Senate District 24 and Assembly District 53.

The project financing includes state funding from the AHSC program of HCD.

**Project Number** CA-18-091

**Project Name** Elden Elms  
Site Address: 1255 Elden Avenue  
Los Angeles, CA 90006 County: Los Angeles  
Census Tract: 2134.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,500,000	\$9,214,067
Recommended:	\$2,500,000	\$9,214,067

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

**Applicant Information**

Applicant: Elden Elms, L.P.  
Contact: Matt Mason  
Address: 7530 Santa Monica Blvd  
West Hollywood, CA 90046  
Phone: 323-650-8771  
Email: matt@whhc.org

General Partner(s) / Principal Owner(s): Elden Elms, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): West Hollywood Community Housing Corp.  
Developer: West Hollywood Community Housing Corp.  
Investor/Consultant: Union Bank  
Management Agent(s): Barker Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 93  
 No. & % of Tax Credit Units: 92 100%  
 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 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:	10	10%
At or Below 50% AMI:	38	40%
At or Below 60% AMI:	24	25%

**Unit Mix**

48 1-Bedroom Units
15 2-Bedroom Units
30 3-Bedroom Units
93 Total Units

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
15 1 Bedroom	30%	30%	\$545
5 1 Bedroom	40%	40%	\$727
20 1 Bedroom	50%	50%	\$909
8 1 Bedroom	60%	60%	\$1,091
2 2 Bedrooms	30%	30%	\$654
2 2 Bedrooms	40%	40%	\$873
6 2 Bedrooms	50%	50%	\$1,091
4 2 Bedrooms	60%	60%	\$1,309
3 3 Bedrooms	30%	30%	\$756
3 3 Bedrooms	40%	40%	\$1,008
12 3 Bedrooms	50%	50%	\$1,260
12 3 Bedrooms	60%	60%	\$1,512
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$53,592,000

**Project Cost Summary at Application**

Land and Acquisition	\$8,190,529
Construction Costs	\$27,853,105
Rehabilitation Costs	\$0
Construction Contingency	\$1,349,828
Relocation	\$0
Architectural/Engineering	\$822,800
Const. Interest, Perm. Financing	\$4,102,352
Legal Fees, Appraisals	\$205,000
Reserves	\$687,853
Other Costs	\$1,850,387
Developer Fee	\$1,790,959
Commercial Costs	\$0
<b>Total</b>	<b>\$46,852,813</b>

**Residential**

Construction Cost Per Square Foot:	\$276
Per Unit Cost:	\$503,794
True Cash Per Unit Cost*:	\$484,739

**Construction Financing**

Source	Amount
Union Bank	\$40,300,000
Deferred Developer Fee	\$1,772,125
Tax Credit Equity	\$4,780,688

**Permanent Financing**

Source	Amount
Union Bank	\$5,920,000
AHSC <sup>1</sup>	\$7,894,593
AHP	\$920,000
Deferred Developer Fee	\$246,966
Tax Credit Equity	\$31,871,254
<b>TOTAL</b>	<b>\$46,852,813</b>

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

<sup>1</sup>Affordable Housing and Sustainable Communities Program

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$30,713,558
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,927,625
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$9,214,068
Approved Developer Fee in Project Cost:	\$1,790,959
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Union Bank
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:	\$30,713,558
Actual Eligible Basis:	\$36,424,060
Unadjusted Threshold Basis Limit:	\$25,497,312
Total Adjusted Threshold Basis Limit:	\$30,713,558

**Adjustments to Basis Limit**

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:	<b>Letter of Support</b>
First:	<b>Large Family</b>
Final:	<b>30.589%</b>

**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 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**

Staff noted the per unit development cost of \$503,974. The factors affecting the cost include the project as an infill project in a highly built-out area. Site access is limited and construction staging is challenging. This project qualifies as a High-Rise and will be seven stories, increasing the construction timeline to nineteen months.

This project has been granted a waiver allowing the use of the 2015 large family housing type requirement under CTCAC regulation section 10325(g)(1) that at least 30% of the units must be 3-bedroom or larger based on the City's Letter of Determination approval of the entitlements. This project will not be held to the CTCAC 2018 regulation requirement that at least 25% of the low-income units must be 3-bedroom or larger and at least an additional 25% of the low-income units must be 2-bedroom or larger. This approval is solely for Elden Elms and is not applicable to any other project.

**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**

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.

<b>Points System</b>	<b>Max. Possible Points</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
Within ½ mile of medical clinic or hospital	3	3	3
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 Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</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.**