

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Residences on Main, located at 6901-6917 South Main Street in Los Angeles, requested and is being recommended for a reservation of \$1,095,587 in annual federal tax credits to finance the new construction of 49 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 LA Family Housing and will be located in Senate District 30 and Assembly District 59.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-616

Project Name Residences on Main
Site Address: 6901-6917 South Main Street
Los Angeles, CA 90003 County: Los Angeles
Census Tract: 2393.10

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,095,587	\$0
Recommended:	\$1,095,587	\$0

Applicant Information

Applicant: Residences on Main, L.P.
Contact: Daniel Huynh
Address: 7843 Lankershim Boulevard
North Hollywood, CA 91605
Phone: 818-255-2745
Email: dhuynh@lafh.org

General Partner(s) or Principal Owner(s): Residences on Main GP, LLC
General Partner Type: Nonprofit
Parent Company(ies): LA Family Housing
Coalition for Responsible Community Development
Developer: LA Family Housing
Investor/Consultant: California Housing Partnership Corporation
Management Agent: John Stewart Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 50
 No. / % of Low Income Units: 49 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based Vouchers (49 Units - 100%)

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: March 1, 2019

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 35% AMI: 37	76%
At or Below 50% AMI: 12	24%

Unit Mix

21 SRO/Studio Units
15 1-Bedroom Units
6 2-Bedroom Units
8 3-Bedroom Units
50 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
21 SRO/Studio	30%	30%	\$509
15 1 Bedroom	30%	30%	\$545
1 2 Bedrooms	30%	30%	\$654
4 2 Bedrooms	50%	50%	\$1,092
8 3 Bedrooms	50%	50%	\$1,260
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$28,686,900

Project Cost Summary at Application

Land and Acquisition	\$2,205,880
Construction Costs	\$16,217,792
Rehabilitation Costs	\$0
Construction Contingency	\$1,635,581
Relocation	\$0
Architectural/Engineering	\$954,000
Const. Interest, Perm. Financing	\$2,018,559
Legal Fees, Appraisals	\$166,000
Reserves	\$207,016
Other Costs	\$2,463,515
Developer Fee	\$3,382,312
Commercial Costs	\$0
Total	\$29,250,655

Residential

Construction Cost Per Square Foot:	\$392
Per Unit Cost:	\$585,013
True Cash Per Unit Cost*:	\$567,367

Construction Financing

Source	Amount
Chase Bank	\$16,680,000
HCIDLA Land Loan	\$1,120,000
Deferred Interest	\$67,200
HCIDLA HHH ¹	\$4,312,000
LACDC ²	\$3,000,000
LACDC ² Deferred Interest	\$105,900
AHP	\$1,200,000
Deferred Cost	\$959,449
Deferred Developer Fee	\$882,312
Tax Credit Equity	\$923,794

Permanent Financing

Source	Amount
Tax-Exempt Loan	\$2,002,300
HCIDLA Land Loan	\$1,120,000
Accrued Deferred Interest	\$67,200
HCIDLA HHH ¹	\$10,780,000
LACDC ²	\$3,000,000
LACDC ² Deferred interest	\$105,900
AHP	\$1,200,000
Deferred Developer Fee	\$882,312
Tax Credit Equity	\$10,092,943
TOTAL	\$29,250,655

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

¹LA Housing and Community Investment Department - Prop HHH Permanent Supportive Housing Program

²LA County Community Development Commission

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,931,062
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$33,710,381
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$1,095,587
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,382,312
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.92124

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$25,931,062
Actual Eligible Basis:	\$25,931,062
Unadjusted Threshold Basis Limit:	\$13,552,416
Total Adjusted Threshold Basis Limit:	\$41,720,393

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

100% of the Low Income Units for Special Needs Population

Local Development Impact Fees

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: 24%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 150%

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

Staff noted the per cost per unit is \$567,367 per unit. The factors affecting this include the high construction costs, high cost for an infill site, and parking.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, 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.

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 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.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge

- 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 becoming certified under Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL
- 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.