CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 16, 2019

Hollywood El Centro, located at 6211 De Longpre Avenue in Los Angeles, requested and is being recommended for a reservation of $1,056,458 in annual federal tax credits to finance the acquisition and rehabilitation of 87 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Thomas Safran & Associates, Inc. and is located in Senate District 26 and Assembly District 50.

Hollywood El Centro is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Hollywood El Centro Apartments (CA-94-036). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-19-420

Project Name Hollywood El Centro
Site Address: 6211 De Longpre Avenue
Los Angeles, CA 90028 County: Los Angeles
Census Tract: 1908.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,056,458	$0
Recommended:	$1,056,458	$0

Applicant Information

Applicant:	HWD El Centro Housing LP
Contact:	Anthony Yannatta
Address:	11812 San Vicente Blvd., Ste. 600 Los Angeles, CA 90049
Phone:	310-820-4888
Email:	anthony@tsahousing.com

General Partner(s) or Principal Owner(s):	Housing Corporation of America HWD EL Centro Housing LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Housing Corporation of America Thomas Safran & Associates Development, Inc.
Developer:	Thomas Safran & Associates Development, Inc.
Investor/Consultant:	Wells Fargo Bank, N.A.
Management Agent:	Thomas Safran & Associates, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	15
Total # of Units:	88
No. / % of Low Income Units:	87 100.00%
Federal Set-Aside Elected:	20%/50%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (100% / 87 Units)

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	March 25, 2019

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	87	100%

Unit Mix

38	SRO/Studio Units
36	1-Bedroom Units
11	2-Bedroom Units
3	3-Bedroom Units
88	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
38	SRO/Studio	50%	50%	$848
36	1 Bedroom	50%	50%	$909
10	2 Bedrooms	50%	50%	$1,091
3	3 Bedrooms	50%	50%	$1,260
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $51,202,140

Project Cost Summary at Application	
Land and Acquisition	$23,473,144
Construction Costs	$0
Rehabilitation Costs	$4,269,322
Construction Contingency	$846,685
Relocation	$110,000
Architectural/Engineering	$270,000
Const. Interest, Perm. Financing	$1,324,265
Legal Fees, Appraisals	$222,250
Reserves	$409,963
Other Costs	$414,010
Developer Fee	$3,848,849
Commercial Costs	$0
Total	**$35,188,488**

Residential	
Construction Cost Per Square Foot:	$87
Per Unit Cost:	$399,869
True Cash Per Unit Cost*:	$382,349

Construction Financing

Source	Amount
PNC Bank / HUD 221(d)(4) Loan	$961,031
Citibank / Tax-Exempt Bonds	$8,566,760
Series B Seller Carryback Bonds	$11,000,000
Income from Operations	$669,852
Deferred Developer Fee	$3,848,849
Tax Credit Equity	$10,141,997

Permanent Financing

Source	Amount
PNC Bank / HUD 221(d)(4) Loan	$11,705,900
Series B Seller Carryback Bonds	$11,000,000
Income from Operations	$669,852
Seller Reserves Transfer	$129,000
Deferred Developer Fee	$1,541,739
Tax Credit Equity	$10,141,997
TOTAL	**$35,188,488**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,338,876
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$22,969,116
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,540,539
Qualified Basis (Acquisition):	$22,969,116
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$305,368
Maximum Annual Federal Credit, Acquisition:	$751,090
Total Maximum Annual Federal Credit:	$1,056,458
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,848,849
Investor/Consultant:	Wells Fargo Bank, N.A.
Federal Tax Credit Factor:	$0.96000

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:	$30,307,992
Actual Eligible Basis:	$30,307,992
Unadjusted Threshold Basis Limit:	$22,293,028
Total Adjusted Threshold Basis Limit:	$49,044,662

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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: None.

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-94-036). 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-94-036) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $526,856. In consideration of the Short Term Work requirement, the seller of the existing property will give a credit in the amount of $526,856. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

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.

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: None.