

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Jordan Downs Area H (Phase II), located at 2062 E. 99th Place in Los Angeles, requested a reservation of \$2,500,000 in annual federal tax credits and \$3,781,043 in total state tax credits, but is recommended for a reservation of \$2,500,000 in annual federal tax credits and \$3,731,453 in total state tax credits (see the "**Significant Information / Additional Conditions**" section) to finance the new construction of 77 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD RAD Project-based Vouchers. The project financing includes state funding from the IIG program of HCD.

Project Number CA-19-037

Project Name Jordan Downs Area H (Phase II)
Site Address: 2062 E. 99th Place
Los Angeles, CA 90002 County: Los Angeles
Census Tract: 2421.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$3,781,043
Recommended:	\$2,500,000	\$3,731,453

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

Applicant Information

Applicant: Jordan Downs 2B, LP
Contact: Anna Slaby
Address: 600 California Street, Suite 900
San Francisco, CA 94108
Phone: 949-229-7076
Email: aslaby@bridgehousing.com

General Partner(s) / Principal Owner(s): JD Housing 2B, LLC
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing Corporation
Developer: BRIDGE Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): The John Stewart Company

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	80
No. & % of Tax Credit Units:	77 97%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	HUD Section 8 Project-based Vouchers (49 Units / 63%) and HUD RAD Project-based Vouchers (30 Units / 39%)

Information

Set-Aside:	N/A
Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

**Aggregate Targeting Number of
Units**

At or Below 30% AMI:	9
At or Below 40% AMI:	23
At or Below 50% AMI:	25
At or Below 60% AMI:	11
At or Below 80% AMI:	9

Average Income Project (70% and/or 80% AMI Units): 50% AMI targeted average or less is required

Unit Mix

21 1-Bedroom Units
38 2-Bedroom Units
17 3-BedroomUnits
4 4-Bedroom Units
<hr/> 80 Total Units

<u>Unit Type & 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>
1 1 Bedroom	30%	30%	\$545
4 2 Bedrooms	30%	30%	\$654
2 3 Bedrooms	30%	30%	\$756
2 4 Bedrooms	30%	30%	\$843
9 1 Bedroom	40%	40%	\$727
5 3 Bedrooms	40%	40%	\$1,008
7 3 Bedrooms	40%	40%	\$1,008
1 4 Bedrooms	40%	40%	\$1,125
1 4 Bedrooms	40%	40%	\$1,125
7 1 Bedroom	50%	50%	\$909
3 2 Bedrooms	50%	50%	\$1,091
15 2 Bedrooms	50%	35%	\$765
2 1 Bedroom	60%	60%	\$1,091
9 2 Bedrooms	60%	60%	\$1,309
2 1 Bedroom	80%	64%	\$1,171
5 2 Bedrooms	80%	66%	\$1,432
2 3 Bedrooms	80%	55%	\$1,384
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$850
1 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,139

Project Cost Summary at Application

Land and Acquisition	\$2,840,000
Construction Costs	\$28,685,910
Rehabilitation Costs	\$0
Construction Contingency	\$1,626,361
Relocation	\$0
Architectural/Engineering	\$1,730,000
Const. Interest, Perm. Financing	\$2,789,199
Legal Fees	\$315,000
Reserves	\$325,000
Other Costs	\$2,738,828
Developer Fee	\$1,977,416
Commercial Costs	\$0
Total	\$43,027,714

Residential

Construction Cost Per Square Foot:	\$285
Per Unit Cost:	\$538,361
True Cash Per Unit Cost*:	\$538,361

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America	\$31,306,659	Bank of America	\$8,063,000
HACLA Ground Lease	\$2,800,000	HACLA Ground Lease	\$2,800,000
HACLA Loan	\$1,750,000	HACLA Loan	\$1,750,000
HCD - IIG (GP Loan)	\$1,999,268	HCD - IIG (GP Loan)	\$1,999,268
Accrued/Deferred Interest	\$220,000	Accrued/Deferred Interest	\$220,000
Cost Deferred During Construction	\$883,955	Tax Credit Equity	\$28,195,446
Tax Credit Equity	\$4,108,992	TOTAL	\$43,027,714

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$33,337,785
130% High Cost Adjustment:	Yes
Applicable Fraction:	97.47%
Qualified Basis:	\$43,339,121
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$3,731,453
Approved Developer Fee in Project Cost:	\$1,977,416
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00393
State Tax Credit Factor:	\$0.83000

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:	\$33,337,785
Actual Eligible Basis:	\$37,906,961
Unadjusted Threshold Basis Limit:	\$25,127,097
Total Adjusted Threshold Basis Limit:	\$34,424,123

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Large Family
Final:	26.586%

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 or 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 9.0% 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

This project’s estimated cost is \$538,361 per unit. The single structure, five-story, Type V building will be constructed on a Type I podium parking structure, contributing to the project’s cost. Jordan Downs Area H is part of a master redevelopment plan. The project is also required to pay prevailing wages. In addition, the Los Angeles construction market is currently impacted by a shortage of contractors and suppliers, and escalating material costs.

The developer fee cost of \$2,018,576 shown in the application exceeded the TCAC limit under regulation section 10327(c)(2)(A) of \$1,977,416. TCAC adjusted accordingly resulting in a reduction in the state credit from the requested amount of \$3,781,043 to the TCAC recommended amount \$3,731,453.

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 Housing and Community Investment Department, 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.

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 public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school that project children may attend	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Revitalization Area Project	2	2	2
Total Points	113	113	113

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.