

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 17, 2019**

Colorado East, located at 2451 Colorado Boulevard in Los Angeles, requested and is being recommended for a reservation of \$795,670 in annual federal tax credits to finance the new construction of 40 units of housing serving tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by DDCM Incorporated and will be located in Senate District 24 and Assembly District 51.

The project will be receiving rental assistance in the form of Los Angeles County Department of Health Services Flexible Housing Subsidy Pool (FHSP).

Project Number CA-19-483

Project Name Colorado East
Site Address: 2451 Colorado Boulevard
Los Angeles, CA 90041 County: Los Angeles
Census Tract: 1810.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$795,670	\$0
Recommended:	\$795,670	\$0

Applicant Information

Applicant: Colorado East L.P.
Contact: Kurken Alyanakian
Address: 2455 Colorado Blvd., Ste. 20
Los Angeles, CA 90041
Phone: (323) 256-6060
Email: kurken@ddcm.net

General Partner(s) or Principal Owner(s): DDCM Incorporated
RCC MGP LLC
Coalition for Better Living

General Partner Type: Joint Venture

Parent Company(ies): DDCM Incorporated
Riverside Charitable Corporation
Coalition for Better Living

Developer: DDCM Incorporated

Investor/Consultant: Boston Financial

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 41
 No. / % of Low Income Units: 40 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: October 31, 2019

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 25	63%
80% AMI: 15	38%

Average Income Project (70% and/or 80% AMI Units): 59% AMI targeted average or less is required

Unit Mix

26 1-Bedroom Units
 14 2-Bedroom Units
 1 3-Bedroom Units

 41 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>
25 1 Bedroom	30%	28%	\$545
1 1 Bedroom	80%	74%	\$1,455
14 2 Bedrooms	80%	74%	\$1,746
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,602,260
Construction Costs	\$13,039,359
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$551,419
Soft Cost Contingency	\$94,300
Relocation	\$0
Architectural/Engineering	\$1,007,624
Const. Interest, Perm. Financing	\$901,508
Legal Fees	\$212,175
Reserves	\$449,920
Other Costs	\$814,078
Developer Fee	\$2,456,405
Commercial Costs	\$925,525
Total	\$24,054,573

Residential

Construction Cost Per Square Foot:	\$369
Per Unit Cost:	\$564,123
True Cash Per Unit Cost*:	\$531,182

Construction Financing

Source	Amount
Citi Community Capital	\$13,376,067
HCIDLA - Prop. HHH PSH	\$5,600,000
Deferred Reserves	\$449,920
Deferred Developer Fee	\$2,456,405
Tax Credit Equity	\$2,172,180

Permanent Financing

Source	Amount
Citi Community Capital	\$6,663,387
HCIDLA - Prop. HHH PSH	\$8,800,000
Deferred Developer Fee	\$1,350,585
Tax Credit Equity	\$7,240,601
TOTAL	\$24,054,573

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,832,436
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,482,167
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$795,670
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,456,405
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.91000

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:	\$18,832,436
Actual Eligible Basis:	\$18,832,436
Unadjusted Threshold Basis Limit:	\$12,700,358
Total Adjusted Threshold Basis Limit:	\$33,527,935

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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 124%

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 3.30% 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 \$564,163 per unit. It will be located on an urban infill site that is sloped and which therefore requires an extensive retaining wall costing approximately \$1,500,000. In addition, the project’s design is required to have elements to compliment the surrounding community such as a three-dimensional facade with balconies. The project will be built to LEED Silver green building and energy standards and pay prevailing wages.

The Los Angeles County Department of Health Services will provide 25 of the 40 affordable units with a rental subsidy from the Flexible Housing Subsidy Pool (FHSP) program and services for all 40 low-income individuals.

Resyndication and Resyndication Transfer Event: None

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.