

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Firmin Court, located at 418 - 430 Firmin Street in Los Angeles, requested and is being recommended for a reservation of \$1,391,599 in annual federal tax credits to finance the new construction of 63 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Decro Corporation and will be located in Senate District 24 and Assembly District 52.

The project will be receiving rental assistance in the form of Los Angeles DHS Flexible Housing Subsidy Pool (FHSP). The project financing includes state funding from the SHMHP program of HCD.

Project Number CA-19-510

Project Name Firmin Court
Site Address: 418 - 430 Firmin Street
Los Angeles, CA 90026 County: Los Angeles
Census Tract: 2080.00

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$1,391,599 | \$0 |
| Recommended: | \$1,391,599 | \$0 |

Applicant Information

Applicant: Firmin Court, L.P.
Contact: Ted M. Handel
Address: 3431 Wesley Street, Suite F
Culver City CA 90232
Phone: 424-603-4586
Email: thandel@decro.org

General Partner(s) or Principal Owner(s): Decro Firmin, LLC
IHO Firmin, LLC

General Partner Type: Nonprofit

Parent Company(ies): Decro Corporation
Innovative Housing Opportunities

Developer: Decro Corporation

Investor/Consultant: California Housing Partnership Corporation

Management Agent: FPI Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 64
 No. / % of Low Income Units: 63 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: January 13, 2020

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

| <u>Aggregate Targeting Number of Units</u> | <u>Percentage of Affordable Units</u> |
|--|---|
| 30% AMI: 45 | 71% |
| 60% AMI: 18 | 29% |

Unit Mix

28 SRO/Studio Units
 17 1-Bedroom Units
 15 2-Bedroom Units
 4 3-Bedroom Units

 64 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> |
|-----------------------------------|--|--|--|
| 28 SRO/Studio | 30% | 30% | \$509 |
| 17 1 Bedroom | 30% | 30% | \$545 |
| 14 2 Bedrooms | 60% | 60% | \$1,309 |
| 4 3 Bedrooms | 60% | 60% | \$1,512 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|------------------------------------|---------------------|
| Land and Acquisition | \$3,497,956 |
| Construction Costs | \$20,451,689 |
| Rehabilitation Costs | \$0 |
| Construction Hard Cost Contingency | \$2,046,419 |
| Soft Cost Contingency | \$305,494 |
| Relocation | \$0 |
| Architectural/Engineering | \$1,459,750 |
| Const. Interest, Perm. Financing | \$3,345,201 |
| Legal Fees | \$130,000 |
| Reserves | \$1,216,313 |
| Other Costs | \$1,809,646 |
| Developer Fee | \$4,231,000 |
| Commercial Costs | \$0 |
| Total | \$38,493,468 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$438 |
| Per Unit Cost: | \$601,460 |
| True Cash Per Unit Cost*: | \$565,213 |

Construction Financing**Permanent Financing**

| Source | Amount | Source | Amount |
|-------------------------------|--------------|-------------------------------|---------------------|
| Citigroup Global - T.E. Bonds | \$6,035,000 | Citigroup Global - T.E. Bonds | \$6,035,000 |
| Sterling Bank - T.E. Bonds | \$21,044,526 | HCD - SHMP | \$5,677,960 |
| LAHCID - Prop HHH | \$4,435,000 | LAHCID - Prop HHH | \$11,700,000 |
| Deferred Interest | \$211,900 | Deferred Developer Fee | \$2,319,831 |
| Deferred Costs | \$2,039,111 | General Partner Equity | \$100 |
| Deferred Developer Fee | \$2,319,831 | Tax Credit Equity | \$12,760,577 |
| General Partner Equity | \$100 | TOTAL | \$38,493,468 |
| Tax Credit Equity | \$2,408,000 | | |

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

Determination of Credit Amount(s)

| | |
|--|--|
| Requested Eligible Basis: | \$32,438,200 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$42,169,660 |
| Applicable Rate: | 3.30% |
| Total Maximum Annual Federal Credit: | \$1,391,599 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$4,231,000 |
| Investor/Consultant: | California Housing Partnership Corporation |
| Federal Tax Credit Factor: | \$0.91697 |

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: | \$32,438,200 |
| Actual Eligible Basis: | \$32,438,200 |
| Unadjusted Threshold Basis Limit: | \$18,738,147 |
| Total Adjusted Threshold Basis Limit: | \$52,279,430 |

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

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: 142%

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: None.

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.