

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Jordan Downs Phase S3, located at 2101 East 101st Street in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$10,320,559 in total state tax credits to finance the new construction of 91 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 The Michaels Development Company I, LP 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 Rental Assistance Demonstration (RAD) Project-based Vouchers. The project financing includes state funding from the AHSC program of HCD.

Project Number	CA-19-083
Project Name	Jordan Downs Phase S3
Site Address:	2101 East 101st Street
	Los Angeles, CA 90002
	County: Los Angeles
Census Tract:	2421.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$10,320,559
Recommended:	\$2,500,000	\$10,320,559

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

Applicant Information

Applicant:	The Michaels Development Company I, LP
Contact:	Milton R. Pratt, Jr.
Address:	2 Cooper Street, 14th Floor
	Camden, NJ 08102
Phone:	856-797-8964
Email:	mpratt@tmo.com

General Partner(s) / Principal Owner(s):	Jordan S3-Michaels, LLC
	La Cienega LOMOD, Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	The Michaels Organization
	Housing Authority of the City of Los Angeles
Developer:	The Michaels Development Company I, LP
Investor/Consultant:	Riverside Capital
Management Agent(s):	Michaels Management - Affordable

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 92
 No. & % of Tax Credit Units: 91 100%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: HUD Section 8 Project-based Vouchers (48 units / 52%) and
 HUD RAD Project-based Vouchers (25 units / 27%)

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		Percentage of Affordable Units
At or Below 30% AMI:	20	20%
At or Below 50% AMI:	67	40%
At or Below 60% AMI:	2	2%
At or Below 80% AMI:	2	2%

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

Unit Mix

22 1-Bedroom Units
41 2-Bedroom Units
24 3-BedroomUnits
5 4-Bedroom Units
<hr/> 92 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8 1 Bedroom	30%	30%	\$587
11 1 Bedroom	50%	50%	\$979
2 1 Bedroom	50%	50%	\$979
1 1 Bedroom	80%	34%	\$674
2 2 Bedrooms	30%	30%	\$705
5 2 Bedrooms	30%	30%	\$706
13 2 Bedrooms	50%	50%	\$1,175
2 2 Bedrooms	50%	37%	\$875
16 2 Bedrooms	50%	50%	\$1,175
2 2 Bedrooms	60%	37%	\$875
1 2 Bedrooms	80%	37%	\$875
3 3 Bedrooms	30%	30%	\$814
12 3 Bedrooms	50%	50%	\$1,357
8 3 Bedrooms	50%	43%	\$1,166
1 4 Bedrooms	30%	30%	\$909
1 4 Bedrooms	30%	30%	\$909
2 4 Bedrooms	50%	43%	\$1,296
1 4 Bedrooms	50%	50%	\$1,515
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,047,334
Construction Costs	\$35,303,978
Rehabilitation Costs	\$0
Construction Contingency	\$2,050,124
Relocation	\$0
Architectural/Engineering	\$1,134,005
Const. Interest, Perm. Financing	\$3,999,464
Legal Fees	\$275,500
Reserves	\$1,639,380
Other Costs	\$2,710,336
Developer Fee	\$1,985,065
Commercial Costs	\$2,604,814
Total	\$55,750,000

Residential

Construction Cost Per Square Foot:	\$387
Per Unit Cost:	\$576,586
True Cash Per Unit Cost*:	\$540,709

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Union Bank - Construction Loan	\$37,293,077	Berkadia	\$9,100,000
HACLA - Ground Lease Note	\$3,400,000	HCD - AHSC	\$7,500,000
Tax Credit Equity	\$15,056,923	HACLA - Ground Lease Note	\$3,400,000
		HACLA - Soft Loan	\$1,100,000
		FHLB - AHP Loan	\$503,100
		Accrued Interest on Soft Loans	\$283,325
		Refund of Fannie Fee Deposit	\$91,000
		General Partner Equity	\$100
		Tax Credit Equity	\$33,772,475
		TOTAL	\$55,750,000

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$34,415,108
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$34,415,108
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$10,320,559
Approved Developer Fee in Project Cost:	\$1,985,065
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Riverside Capital
Federal Tax Credit Factor:	\$1.00000
State Tax Credit Factor:	\$0.85000

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:	\$34,415,108
Actual Eligible Basis:	\$44,915,108
Unadjusted Threshold Basis Limit:	\$29,437,085
Total Adjusted Threshold Basis Limit:	\$40,917,549

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:

Letter of Support

First:

Large Family

Final:

37.417%

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

Jordan Downs Phase S3's estimated cost is \$576,586 per unit. This project is part of the Jordan Downs Urban Village Specific Plan, a master redevelopment of the 699-unit Jordan Downs public housing community, which requires this project to undertake additional off-site work/costs for new public streets and parkways. The off-site work necessitates both the relocation of existing underground utilities (water, sewer, phone/cable) to preserve the continuity of service for the surrounding residences, and the installation of new utilities for the project. This project will have a Type I construction on-grade parking structure which will serve as a podium to a single four-story to six-story Type III construction building with one-bedroom, two-bedroom, 3-bedroom, and 4-bedroom units, and 5,816 square feet of community service space. In addition, this project is required to pay prevailing wages and is designed to receive LEED Gold certification. The inclusion of AHSC program funds also carries the HCD requirement to fund substantially higher rent reserves.

Staff noted that the preliminary architectural drawings lacks a detailed depiction or description of the play area for children ages 2-12. The applicant is cautioned that outdoor play/recreational space must be available and reasonable play equipment constructed for children ages 2-12 pursuant to regulation section 10325(g)(1)(D).

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 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

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 ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1/4 mile of a public elementary school 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			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 6 hours/week	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
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
Smoke Free Residence	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.**