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

Cecil Residential Apartments, located at 636-644 S. Main Street in Los Angeles, requested and is being recommended for a reservation of $1,362,012 in annual federal tax credits to finance the rehabilitation of 261 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 Simon Baron Development LLC and is located in Senate District 30 and Assembly District 53.

The project financing includes state funding from the NPLH program of HCD.

Project Number CA-19-524

Project Name Cecil Residential Apartments

Site Address:	636-644 S. Main Street		
	Los Angeles, CA 90014	County:	Los Angeles
Census Tract:	2073.02		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,362,012	$0
Recommended:	$1,362,012	$0

Applicant Information

Applicant:	Simon Baron Development LLC
Contact:	Zach Spellman
Address:	757 Third Avenue 17th Floor
	New York, NY 10017
Phone:	(646) 973-2108
Email:	zspellman@simonbaron.com

General Partner(s) or Principal Owner(s):	SBD Residential LA GP, LLC
	The Skid Row Housing Trust
General Partner Type:	Joint Venture
Parent Company(ies):	Simon Baron Development LLC
	The Skid Row Housing Trust
Developer:	Simon Baron Development LLC
Investor/Consultant:	Hunt Capital Partners, LLC
Management Agent:	The Skid Row Housing Trust

Project Information

Construction Type:	Rehabilitation-Only
Total # Residential Buildings:	1
Total # of Units:	264
No. / % of Low Income Units:	261 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	California Public Finance Authority
Expected Date of Issuance:	December 1, 2019

Information

Housing Type:	Special Needs
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	128	49%
40% AMI:	73	28%
50% AMI:	50	19%
60% AMI:	10	4%

Unit Mix

261	SRO/Studio Units
2	1-Bedroom Units
1	2-Bedroom Units
264	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
128	SRO/Studio	30%	30%	$548
73	SRO/Studio	40%	40%	$730
50	SRO/Studio	50%	50%	$913
10	SRO/Studio	60%	50%	$915
2	1 Bedroom	Manager’s Unit	Manager’s Unit	$3,200
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,400

Project Cost Summary at Application

Land and Acquisition	$0
Construction Costs	$0
Rehabilitation Costs	$26,635,102
Construction Hard Cost Contingency	$2,670,000
Soft Cost Contingency	$134,122
Relocation	$0
Architectural/Engineering	$1,546,274
Const. Interest, Perm. Financing	$3,281,818
Legal Fees	$455,000
Reserves	$921,550
Other Costs	$917,134
Developer Fee	$5,081,000
Commercial Costs	$0
Total	**$41,642,000**

Residential

Construction Cost Per Square Foot:	$383
Per Unit Cost:	$157,735
True Cash Per Unit Cost*:	$147,958

Construction Financing

Source	Amount
Fallbrook Credit Finance	$22,400,000
HCD/LACDA - NPLH	$15,000,000
Deferred Fees & Costs	$2,512,000
Historic Tax Credit Equity	$600,000
Tax Credit Equity	$1,130,000

Permanent Financing

Source	Amount
Fallbrook Credit Finance	$1,070,000
Tax-exempt Subordinate Loan	$5,220,962
HCD/LACDA - NPLH	$15,000,000
Deferred Developer Fee	$2,581,000
Historic Tax Credit Equity	$6,119,388
Tax Credit Equity	$11,650,650
TOTAL	**$41,642,000**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$31,754,780
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$41,281,214
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$1,362,012
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,081,000
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	$0.85540

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:	$31,754,780
Actual Eligible Basis:	$31,754,780
Unadjusted Threshold Basis Limit:	$65,621,249
Total Adjusted Threshold Basis Limit:	$160,772,060

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 47%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 98%

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 is located in the historic 600-room Cecil Hotel. The project will take 301 of the existing rooms, located on floors 2 through 7 and a portion of floor 8, and convert them into 261 affordable efficiency units and 3 manager units along with new facilities including a communal kitchen, lounge area, laundry facilities, and space for tenant support services and related offices.

The owner will pay for all utilities.

TCAC has approved the applicant's request to partially waive the requirement of regulation section 10325(f)(7)(E) for cooking facilities for SRO units. Specifically, under the waiver, the project will not be required to include cooking facilities in the 192 SRO units planned in this project. The project will however provide communal cooking facilities for the tenants.

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.