

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 2019**

Rose Apartments, located at 718 and 720 Rose Avenue in Venice, requested and is being recommended for a reservation of \$648,345 in annual federal tax credits to finance the new construction of 34 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Venice Community Housing Corporation and will be located in Senate District 26 and Assembly District 62.

The project financing includes state funding from the SNHP program through CalHFA.

Project Number CA-19-549
Project Name Rose Apartments
Site Address: 718-720 Rose Avenue
Venice, CA 90291 County: Los Angeles
Census Tract: 4372.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$648,345	\$0
Recommended:	\$648,345	\$0

Applicant Information

Applicant: 720 Rose LP
Contact: Becky Dennison
Address: 720 Rose Avenue
Venice, CA 90291
Phone: 310-573-8399
Email: bdennison@vchcorp.org

General Partner(s) or Principal Owner(s): 720 Rose LLC
General Partner Type: Nonprofit
Parent Company(ies): Venice Community Housing Corporation
Developer: Venice Community Housing Corporation
Investor/Consultant: National Equity Foundation
Management Agent: Venice Community Housing Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 35
No. / % of Low Income Units: 34 100.00%
Federal Set-Aside Elected: 40%/60%

Bond Information

Issuer: HCIDLA
 Expected Date of Issuance: April 13, 2020

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 25	74%
40% AMI: 4	12%
50% AMI: 5	15%

Unit Mix

31 SRO/Studio Units
3 1-Bedroom Units
1 2-Bedroom Units
<u>35 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
22 SRO/Studio	30%	30%	\$548
4 SRO/Studio	40%	40%	\$731
5 SRO/Studio	50%	50%	\$913
3 1 Bedroom	30%	30%	\$587
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,019,902
Construction Costs	\$9,522,294
Construction Hard Cost Contingency	\$832,274
Soft Cost Contingency	\$90,680
Architectural/Engineering	\$870,528
Const. Interest, Perm. Financing	\$1,601,054
Legal Fees	\$49,874
Reserves	\$1,710,041
Other Costs	\$1,211,088
Developer Fee	\$2,032,218
Commercial Costs	\$1,700,029
Total	\$20,639,982

Residential

Construction Cost Per Square Foot:	\$577
Per Unit Cost:	\$541,141
True Cash Per Unit Cost*:	\$541,141

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$11,934,756	California Community Reinvestm€	\$770,943
HCID-HHH	\$3,654,245	HCID-LA	\$7,308,489
LA County CDA - NPLH	\$2,890,000	LA County CDA - NPLH	\$2,890,000
Deferred Developer Costs	\$1,512,636	SNHP	\$3,307,101
GP Capital Contribution	\$100	Tax Credit Equity	\$6,363,449
Tax Credit Equity	\$648,245	TOTAL	\$20,639,982

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,580,344
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$20,254,448
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$648,345
Approved Developer Fee in Project Cost:	\$2,032,218
Approved Developer Fee in Eligible Basis:	\$2,032,218
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,032,218
Investor/Consultant:	National Equity Foundation
Federal Tax Credit Factor:	\$0.98149

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:	\$15,580,344
Actual Eligible Basis:	\$15,580,344
Unadjusted Threshold Basis Limit:	\$8,887,558
Total Adjusted Threshold Basis Limit:	\$28,164,024

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

100% of the Low Income Units for Special Needs Population

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

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms (where no VOC adhesives or backing is used)

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 26%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 146%

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

The project's cost of \$541,141 per unit is attributable to the historically high labor and materials costs affecting Los Angeles area projects. The combination of local and state funding will trigger prevailing wage requirements, also adding to cost.

50% of the project's units will be reserved for homeless Transition-Aged Youth (TAY) and 50% for chronically homeless individuals with a diagnosed mental illness.

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.