

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

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

Dahlia Apartments, located at 12003 S. Main Street in Los Angeles, requested and is being recommended for a reservation of \$1,122,594 in annual federal tax credits to finance the new construction of 55 units of housing serving special needs tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 30 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-19-551

**Project Name** Dahlia Apartments  
Site Address: 12003 S. Main Street  
Los Angeles, CA 90061 County: Los Angeles  
Census Tract: 2414.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,122,594	\$0
Recommended:	\$1,122,594	\$0

**Applicant Information**

Applicant: S. Main PSH, L.P.  
Contact: Marie Allen  
Address: 13520 Evening Creek Drive N. Suite 160  
San Diego, CA 92128  
Phone: (858) 679-2464  
Email: marie@affirmedhousing.com

General Partner(s) or Principal Owner(s): AHG S. Main, LLC  
Community Advancement Development Corporation  
General Partner Type: Joint Venture  
Parent Company(ies): Affirmed Housing Group, Inc.  
Community Advancement Development Corporation  
Developer: Affirmed Housing Group, Inc.  
Investor/Consultant: Boston Capital  
Management Agent: Solari Enterprises, Inc.

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 56  
No. / % of Low Income Units: 55 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (55 units - 100%)

**Bond Information**

Issuer: Los Angeles Housing and Community Investment Department  
 Expected Date of Issuance: February 15, 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>
50% AMI: 55	100%

**Unit Mix**

43 SRO/Studio Units  
 12 1-Bedroom Units  
1 2-Bedroom Units  
 56 Total Units

<u>Unit Type &amp; 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>
43 SRO/Studio	50%	30%	\$548
12 1 Bedroom	50%	30%	\$587
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,927,863
Construction Costs	\$18,082,067
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,280,527
Soft Cost Contingency	\$212,236
Relocation	\$119,850
Architectural/Engineering	\$1,000,000
Const. Interest, Perm. Financing	\$1,905,199
Legal Fees	\$200,000
Reserves	\$422,441
Other Costs	\$1,139,538
Developer Fee	\$3,400,135
Commercial Costs	\$0
<b>Total</b>	<b>\$29,689,856</b>

**Residential**

Construction Cost Per Square Foot:	\$615
Per Unit Cost:	\$530,176
True Cash Per Unit Cost*:	\$530,176

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Banner Bank - T.E. Bonds	\$15,254,797	Banner Bank - T.E. Bonds	\$5,238,295
HCIDLA - Prop HHH	\$8,890,595	HCIDLA - Prop HHH	\$12,000,000
Deferred Costs	\$2,244,036	AHP	\$550,000
Tax Credit Equity	\$3,300,428	General Partner Equity	\$900,135
		Tax Credit Equity	\$11,001,426
		<b>TOTAL</b>	<b>\$29,689,856</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$26,167,702
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$34,018,013
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,122,594
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,400,135
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.98000

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:	\$26,167,702
Actual Eligible Basis:	\$26,167,702
Unadjusted Threshold Basis Limit:	\$14,435,041
Total Adjusted Threshold Basis Limit:	\$33,658,813

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages  
 100% of the Low Income Units for Special Needs Population  
 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: 100%

**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 proposed rents do not include any utility allowance. The owner will pay for all utilities.

**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.