

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 14, 2020**

Marcella Gardens, located at 6714 S. Main Street in Los Angeles, requested and is being recommended for a reservation of \$1,081,809 in annual federal tax credits to finance the new construction of 59 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 Marcella Gardens, L.P. and will be located in Senate District 30 and Assembly District 59.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-524

Project Name Marcella Gardens
Site Address: 6714 S. Main Street
Los Angeles, CA 90003 County: Los Angeles
Census Tract: 2393.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,081,809	\$0
Recommended:	\$1,081,809	\$0

Applicant Information

Applicant: Coalition for Responsible Community Development
Contact: Alejandro Martinez
Address: 3101 S Grand Ave
Los Angeles, CA 90007
Phone: 213-743-6193
Email: alejandro.martinez@coalitionrcd.org

General Partner(s) or Principal Owner(s): Marcella Gardens, LLC
General Partner Type: Nonprofit
Parent Company(ies): Coalition for Responsible Community Development
New Economics for Women
Amity Foundation
Developer: Marcella Gardens L.P.
Investor/Consultant: National Equity Fund
Management Agent: John Stewart Co.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 60
 No. / % of Low Income Units: 59 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (100% / 59 Units)

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: July 1, 2020

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 57	97%
50% AMI: 2	3%

Unit Mix

29 SRO/Studio Units
 30 1-Bedroom Units
 1 2-Bedroom Units

 60 Total Units

<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>
29 SRO/Studio	30%	30%	\$548
15 1 Bedroom	30%	30%	\$587
13 1 Bedroom	30%	30%	\$587
2 1 Bedroom	50%	30%	\$587
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,204,381
Construction Costs	\$17,876,767
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,069,647
Soft Cost Contingency	\$400,000
Relocation	\$0
Architectural/Engineering	\$1,367,053
Const. Interest, Perm. Financing	\$1,848,010
Legal Fees	\$160,000
Reserves	\$817,200
Other Costs	\$950,148
Developer Fee	\$3,342,256
Commercial Costs	\$411,911
Total	\$32,447,373

Residential

Construction Cost Per Square Foot:	\$361
Per Unit Cost:	\$533,924
True Cash Per Unit Cost*:	\$528,884

Construction Financing

Source	Amount
California Bank & Trust	\$15,900,000
City of Los Angeles - HHH Loan	\$5,700,605
HCD / LA County - NPLH Loan	\$6,390,000
Deferred Costs & Fee	\$3,500,400
General Partner Equity	\$100
Tax Credit Equity	\$956,268

Permanent Financing

Source	Amount
California Bank & Trust	\$3,300,000
City of Los Angeles - HHH Loan	\$12,000,000
HCD / LA County - NPLH Loan	\$6,440,000
General Partner Equity	\$842,256
Deferred Developer Fee	\$302,440
Tax Credit Equity	\$9,562,677
TOTAL	\$32,447,373

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,683,965
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$33,389,155
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,081,809
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,342,256
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.88395

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:	\$25,683,965
Actual Eligible Basis:	\$25,683,965
Unadjusted Threshold Basis Limit:	\$19,062,168
Total Adjusted Threshold Basis Limit:	\$62,333,290

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
- 100% of the Low Income Units for Special Needs Population
- 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: 3%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 192%

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 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 3.24% 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’s estimated residential cost per unit is \$533,924. The applicant indicated cost factors contributing to the project’s estimated cost exceeding \$500,000 per units include: federal and state prevailing wage requirements, construction on an urban infill site with at-grade parking beneath the residential units, the demolition of an existing building, and the high cost of construction in Los Angeles.

Within 180 days of the tax credit reservation, the applicant is required to provide an updated commitment letter from the Housing Authority of the City of Los Angeles for the project-based vouchers corresponding to the TCAC application.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.