

# **CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

## **Project Staff Report**

### **Tax-Exempt Bond Project**

**April 14, 2020**

Hope on Avalon, located at 12225 South Avalon Blvd. in Los Angeles, requested and is being recommended for a reservation of \$1,681,070 in annual federal tax credits and \$4,350,000 in total state tax credits to finance the new construction of 87 units of housing serving tenants with rents affordable to households earning 40-60% of area median income (AMI). The project will be developed by Hope Street Development Group, LLC and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of the County of Los Angeles Department of Health Services Flexible Housing Subsidy Pool (FHSP) rental subsidy.

**Project Number** CA-20-523

**Project Name** Hope on Avalon  
**Site Address:** 12225 South Avalon Blvd.  
Los Angeles, CA 90061 County: Los Angeles  
**Census Tract:** 5409.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,681,070	\$4,350,000
Recommended:	\$1,681,070	\$4,350,000

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

#### **Applicant Information**

**Applicant:** Hope on Avalon, LP  
**Contact:** Scott Baldrige  
**Address:** 6230 Wilshire Blvd., Suite 830  
Los Angeles, CA 90048  
**Phone:** 714-345-9909  
**Email:** sbaldrige@aedis-re.com

**General Partner(s) or Principal Owner(s):** FFAH V Hope on Avalon, LLC  
Aedis Avalon AGP, LLC  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Foundation for Affordable Housing V, Inc.  
Aedis Real Estate Group  
LSA Capital, Inc.  
**Developer:** Hope Street Development Group, LLC  
**Investor/Consultant:** CREA, LLC  
**Management Agent:** FPI Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 88  
 No. / % of Low Income Units: 87 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt

**Bond Information**

Issuer: CalHFA  
 Expected Date of Issuance: June 30, 2020

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Tiffani Negrete

**55-Year Use / Affordability**

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
40% AMI:	8	9%
50% AMI:	58	67%
60% AMI:	21	24%

**Unit Mix**

28 SRO/Studio Units
60 1-Bedroom Units
88 Total Units

Unit Type & Number	2019 Rents	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
	Targeted % of Area Median Income		
7 SRO/Studio	40%	40%	\$731
1 1 Bedroom	40%	40%	\$783
58 1 Bedroom	50%	50%	\$979
21 SRO/Studio	60%	60%	\$1,096
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,525,000
Construction Costs	\$32,213,671
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,610,684
Soft Cost Contingency	\$120,769
Relocation	\$0
Architectural/Engineering	\$783,600
Const. Interest, Perm. Financing	\$2,106,675
Legal Fees	\$420,000
Reserves	\$940,148
Other Costs	\$725,611
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$43,946,158</b>

**Residential**

Construction Cost Per Square Foot:	\$779
Per Unit Cost:	\$499,388
True Cash Per Unit Cost*:	\$490,347

**Construction Financing**

Source	Amount
RCB Equities - T.E. Bonds	\$23,390,000
RCB Equities	\$4,377,289
Deferred Costs	\$1,066,148
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$12,612,721

**Permanent Financing**

Source	Amount
RCB Equities - T.E. Bonds	\$23,390,000
Deferred Developer Fee	\$795,600
Tax Credit Equity	\$19,760,558
<b>TOTAL</b>	<b>\$43,946,158</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$39,911,433
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$51,884,863
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,681,070
Total State Credit:	\$4,350,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	CREA, LLC
Federal Tax Credit Factor:	\$0.94000
State Tax Credit Factor:	\$0.91000

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:	\$39,911,433
Actual Eligible Basis:	\$39,911,433
Unadjusted Threshold Basis Limit:	\$28,507,776
Total Adjusted Threshold Basis Limit:	\$52,739,386

**Adjustments to Basis Limit**

95% of Upper Floor Units are Elevator-Serviced

**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 3.24% 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**

Within 180 days of the reservation the applicant must provide TCAC the commitment from the Los Angeles County Department of Health Services for the project-based rental subsidy committed to this project. The commitment must verify the requirements of TCAC regulation section 10322(h)(22), which includes the number of units receiving assistance by unit size and the monthly contract rent for each unit size.

The project includes 21 units designated as transitional housing units. The project owner must comply with IRC Sections 42(c)(1)(E) and (i)(3)(B)(iii). The owner will pay all utilities for the transitional housing units.

**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.