

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Reseda Theater Senior Housing, located at 7221 Canby Ave in Los Angeles, requested and is being recommended for a reservation of \$656,005 in annual federal tax credits and \$1,636,651 in total state tax credits to finance the new construction of 25 units of housing serving seniors with rents affordable to households earning 30% - 60% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and will be located in Senate District 27 and Assembly District 45.

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(s) of HCD.

Project Number	CA-20-536
Project Name	Reseda Theater Senior Housing
Site Address:	7221 Canby Ave
	Los Angeles, CA 91335
	County: Los Angeles
Census Tract:	1318.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$656,005	\$1,636,651
Recommended:	\$656,005	\$1,636,651

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant:	Reseda Theater Senior Housing LP
Contact:	Jordan Pynes
Address:	11811 San Vicente Blvd., Suite 600
	Los Angeles, CA 90049
Phone:	(310) 820-4888
Email:	jordan@tsahousing.com

General Partner(s) or Principal Owner(s):	Reseda Theater Senior Housing LLC
	Housing Corporation of America
General Partner Type:	Joint Venture
Parent Company(ies):	Thomas Safran & Associates
	Housing Corporation of America
Developer:	Thomas Safran & Associates Development, Inc.
Investor/Consultant:	Wells Fargo Bank
Management Agent:	Thomas Safran & Associates, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 26
 No. / % of Low Income Units: 25 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (13 units - 50%)

Bond Information

Issuer: City of LA (HCIDLA)
 Expected Date of Issuance: September 4, 2020

Information

Housing Type: Seniors
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
30% AMI:	13	52%
60% AMI:	12	48%

Unit Mix

24 1-Bedroom Units
2 2-Bedroom Units
26 Total Units

Unit Type & Number	2019 Rents	2019 Rents Actual	Proposed Rent
	Targeted % of Area Median Income	% of Area Median Income	(including utilities)
13 1 Bedroom	30%	30%	\$587
11 1 Bedroom	60%	60%	\$1,175
1 2 Bedrooms	60%	60%	\$1,410
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$900

Project Cost Summary at Application

Land and Acquisition	\$1,221,381
Construction Costs	\$10,221,387
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$916,626
Soft Cost Contingency	\$172,108
Relocation	\$0
Architectural/Engineering	\$565,250
Const. Interest, Perm. Financing	\$1,084,700
Legal Fees	\$130,000
Reserves	\$90,000
Other Costs	\$1,008,324
Developer Fee	\$1,851,580
Commercial Costs	\$0
Total	\$17,261,356

Residential

Construction Cost Per Square Foot:	\$525
Per Unit Cost:	\$663,898
True Cash Per Unit Cost*:	\$660,095

Construction Financing

Source	Amount
Wells Fargo Bank. N.A	\$9,646,426
HCIDLA Land Loan	\$1,200,000
HCIDLA - HHH Loan	\$4,060,000
Deferred Developer Fee	\$1,850,000
Tax Credit Equity	\$414,930

Permanent Financing

Source	Amount
CCRC	\$2,030,000
HCIDLA Land Loan	\$1,200,000
HCIDLA - HHH Loan	\$4,060,000
HCD - NPLH	\$2,300,000
Deferred Developer Fee	\$98,891
Tax Credit Equity	\$7,572,465
TOTAL	\$17,261,356

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$15,574,669
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$20,247,070
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$656,005
Total State Credit:	\$1,636,651
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,851,580
Investor/Consultant:	Wells Fargo Bank
Federal Tax Credit Factor:	\$0.95000
State Tax Credit Factor:	\$0.81900

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:	\$15,574,669
Actual Eligible Basis:	\$15,574,669
Unadjusted Threshold Basis Limit:	\$8,933,568
Total Adjusted Threshold Basis Limit:	\$20,904,550

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

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 123%

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

Staff noted a per unit development cost of \$663,898. The applicant indicated that the land cost, the site location, and prevailing wage requirements attributed to the high cost.

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.