

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Hope on Broadway, located at 5138 Broadway in Los Angeles, requested and is being recommended for a reservation of \$843,169 in annual federal tax credits and \$2,400,000 in total state tax credits to finance the new construction of 48 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Hope Street Development Group, LLC and will be located in Senate District 30 and Assembly District 59.

The project will be receiving rental assistance in the form of DHS Flexible Housing Subsidy Pool (FHSP).

Project Number CA-20-539

Project Name Hope on Broadway
Site Address: 5138 Broadway
Los Angeles, CA 90037 County: Los Angeles
Census Tract: 2319.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$843,169	\$2,400,000
Recommended:	\$843,169	\$2,400,000

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

Applicant Information

Applicant: Hope on Broadway, 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): Riverside Charitable Corporation
Aedis Broadway AGP, LLC

General Partner Type: Joint Venture
Parent Company(ies): Riverside Charitable Corporation
Aedis Real Estate Group/LSA Capital

Developer: Hope Street Development Group, LLC
Investor/Consultant: CREA, LLC
Management Agent: FPI Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 49
 No. / % of Low Income Units: 48 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

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

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 48	100%

Unit Mix

48 SRO/Studio Units
1 1-Bedroom Units
 49 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>
12 SRO/Studio	50%	42%	\$768
36 SRO/Studio	50%	50%	\$913
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,500,000
Construction Costs	\$14,829,549
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$350,743
Soft Cost Contingency	\$150,000
Relocation	\$0
Architectural/Engineering	\$900,000
Const. Interest, Perm. Financing	\$1,022,620
Legal Fees	\$285,000
Reserves	\$340,069
Other Costs	\$389,680
Developer Fee	\$2,381,026
Commercial Costs	\$0
Total	\$22,148,687

Residential

Construction Cost Per Square Foot:	\$919
Per Unit Cost:	\$452,014
True Cash Per Unit Cost*:	\$448,159

Construction Financing

Source	Amount
JP Morgan Chase - Tax-Exempt	\$12,105,623
HCIDLA - HHH	\$6,720,000
Deferred Developer Fee	\$2,381,026
Tax Credit Equity	\$942,038

Permanent Financing

Source	Amount
JP Morgan Chase - Tax-Exempt	\$5,130,000
HCIDLA - HHH	\$6,720,000
Deferred Developer Fee	\$188,898
Tax Credit Equity	\$10,109,789
TOTAL	\$22,148,687

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,018,263
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,023,742
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$843,169
Total State Credit:	\$2,400,000
Approved Developer Fee in Eligible Basis:	\$2,381,026
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,381,026
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:	\$20,018,263
Actual Eligible Basis:	\$20,018,263
Unadjusted Threshold Basis Limit:	\$14,419,128
Total Adjusted Threshold Basis Limit:	\$31,289,508

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- 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 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: None.

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.