

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

Hope on Hyde, located at 6501 Crenshaw Blvd. in Los Angeles, requested and is being recommended for a reservation of \$1,426,151 in annual federal tax credits and \$4,850,000 in total state tax credits to finance the new construction of 97 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 62.

Project Number CA-20-562

Project Name Hope on Hyde
Site Address: 6501 Crenshaw Blvd.
 Los Angeles, CA 90043 County: Los Angeles
Census Tract: 2349.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,426,151	\$4,850,000
Recommended:	\$1,426,151	\$4,850,000

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

Applicant Information

Applicant: Hope on Hyde, 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 Hyde Park 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 Mgmt

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 98
 No. / % of Low Income Units: 97 100.00%
 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: 97	100%

Unit Mix

74 SRO/Studio Units
 24 1-Bedroom Units

 98 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>
19 SRO/Studio	50%	42%	\$768
55 SRO/Studio	50%	50%	\$913
6 1 Bedroom	50%	45%	\$877
17 1 Bedroom	50%	50%	\$979
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,500,000
Construction Costs	\$27,194,377
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$653,207
Soft Cost Contingency	\$250,000
Relocation	\$0
Architectural/Engineering	\$829,073
Const. Interest, Perm. Financing	\$1,731,439
Legal Fees	\$370,000
Reserves	\$769,106
Other Costs	\$813,062
Developer Fee	\$2,500,000
Commercial Costs	\$1,447,580
Total	\$40,057,844

Residential

Construction Cost Per Square Foot:	\$773
Per Unit Cost:	\$393,982
True Cash Per Unit Cost*:	\$393,505

Construction Financing

<u>Source</u>	<u>Amount</u>
JP Morgan Chase, N.A.	\$12,910,000
JP Morgan Chase, N.A.	\$9,687,935
HCIDLA - HHH Fund	\$9,280,000
Deferred Costs	\$884,106
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$4,795,803

Permanent Financing

<u>Source</u>	<u>Amount</u>
JP Morgan Chase, N.A.	\$12,910,000
HCIDLA - HHH Fund	\$9,280,000
Deferred Developer Fee	\$48,525
Tax Credit Equity	\$17,819,319
TOTAL	\$40,057,844

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$33,859,246
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$44,017,020
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,426,151
Total State Credit:	\$4,850,000
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:	\$33,859,246
Actual Eligible Basis:	\$33,859,246
Unadjusted Threshold Basis Limit:	\$29,825,616
Total Adjusted Threshold Basis Limit:	\$64,721,587

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: 118%

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.