

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

April 14, 2020

Hollywood Arts Collective, located at 1637 Wilcox Ave. in Los Angeles, requested and is being recommended for a reservation of \$2,862,935 in annual federal tax credits and \$20,377,059 in total state tax credits to finance the new construction of 151 units of housing serving tenants with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and will be located in Senate District 26 and Assembly District 50.

The project financing includes state funding from the AHSC program of HCD.

Project Number CA-20-553

Project Name Hollywood Arts Collective

Site Address: 1637 Wilcox Ave.

Los Angeles, CA 90028

County: Los Angeles

Census Tract: 1907.00

Tax Credit Amounts

Federal/Annual

State/Total *

Requested:

\$2,862,935

\$20,377,059

Recommended:

\$2,862,935

\$20,377,059

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

Applicant Information

Applicant: Hollywood Arts Collective LP

Contact: Jordan Pynes

Address: 11811 San Vicente Blvd.

Los Angeles, CA 90049

Phone: (310) 820-4888

Email: jordan@tsahousing.com

General Partner(s) or Principal Owner(s): Hollywood Arts Collective LLC

Actors Fund

General Partner Type: Joint Venture

Parent Company(ies): Thomas Safran & Associates Development, Inc.

Actors Fund

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: 152
No. / % of Low Income Units: 151 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt / HOME

Bond Information

Issuer: City of LA (HCIDLA)
Expected Date of Issuance: September 1, 2020

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting</u>		<u>Percentage of</u>
<u>Number of Units</u>		<u>Affordable Units</u>
30% AMI:	9	6%
40% AMI:	26	17%
50% AMI:	26	17%
60% AMI:	53	35%
80% AMI:	37	25%

Unit Mix

20 SRO/Studio Units
70 1-Bedroom Units
39 2-Bedroom Units
23 3-Bedroom Units
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152 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 SRO/Studio	30%	30%	\$548
3 SRO/Studio	40%	40%	\$731
4 SRO/Studio	50%	50%	\$913
7 SRO/Studio	60%	60%	\$1,096
3 1 Bedroom	30%	30%	\$587
13 1 Bedroom	40%	40%	\$783
13 1 Bedroom	50%	50%	\$979
25 1 Bedroom	60%	60%	\$1,175
16 1 Bedroom	80%	80%	\$1,567
3 2 Bedrooms	30%	30%	\$705
6 2 Bedrooms	40%	40%	\$940
6 2 Bedrooms	50%	50%	\$1,175
14 2 Bedrooms	60%	60%	\$1,410
10 2 Bedrooms	80%	80%	\$1,880
2 3 Bedrooms	30%	30%	\$814
4 3 Bedrooms	40%	40%	\$1,086
3 3 Bedrooms	50%	50%	\$1,357
7 3 Bedrooms	60%	60%	\$1,629
6 3 Bedrooms	80%	80%	\$2,172
5 SRO/Studio	80%	80%	\$1,462
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$300,001
Construction Costs	\$60,030,817
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$4,837,658
Soft Cost Contingency	\$807,371
Relocation	\$0
Architectural/Engineering	\$2,718,800
Const. Interest, Perm. Financing	\$6,142,888
Legal Fees	\$115,000
Reserves	\$543,058
Other Costs	\$3,297,108
Developer Fee	\$3,010,000
Commercial Costs	\$0
Total	\$81,802,701

Residential

Construction Cost Per Square Foot:	\$458
Per Unit Cost:	\$538,176
True Cash Per Unit Cost*:	\$533,889

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo- Construction	\$44,000,000
Wells Fargo - Bridge Loan	\$27,500,000
HCID - HOME	\$5,850,460
Deferred Interest	\$351,028
Deferred Reserves	\$543,058
Deferred Developer Fee	\$2,010,000
Tax Credit Equity	\$1,548,155

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC- Perm	\$19,500,000
HCID - Ground Lease	\$1
HCID - HOME	\$5,850,460
HCD - AHSC	\$9,500,000
Deferred Interest	\$351,028
Deferred Developer Fee	\$651,648
Tax Credit Equity	\$45,949,564
TOTAL	\$81,802,701

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$67,970,916
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$88,362,191
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$2,862,935
Total State Credit:	\$20,377,059
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,010,000
Investor/Consultant:	Wells Fargo Bank
Federal Tax Credit Factor:	\$0.99999
State Tax Credit Factor:	\$0.85000

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:	\$67,970,916
Actual Eligible Basis:	\$67,970,916
Unadjusted Threshold Basis Limit:	\$57,466,800
Total Adjusted Threshold Basis Limit:	\$98,268,228

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

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 34%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 12%

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:

The reservation of tax credits is contingent upon verification by The Actors Fund operating subsidy annual amount, number of units receiving assistance, term and expiration date within 180 days of the date of reservation.

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.