

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Ruth Teague Homes (formerly 67th & Main), located at 6706 S. Main Street in Los Angeles, requested and is being recommended for a reservation of \$1,727,062 in annual federal tax credits to finance the new construction of 51 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by Coalition for Responsible Community Development and will be located in Senate District 30 and Assembly District 59.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD-VASH Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-008

Project Name Ruth Teague Homes (formerly 67th & Main)
Site Address: 6706 S. Main Street
Los Angeles, CA 90003 County: Los Angeles
Census Tract: 2393.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,727,062	\$0
Recommended:	\$1,727,062	\$0

Applicant Information

Applicant: Coalition for Responsible Community Development
Contact: Alejandro Martinez
Address: 3101 S. Grand Avenue
Los Angeles, CA 90007
Phone: 213-743-6193
Email: amartinez@coalitionrkd.org

General Partner(s) / Principal Owner(s): Coalition for Responsible Community Development
New Economics for Women
Amity Foundation

General Partner Type: Nonprofit

Parent Company(ies): Coalition for Responsible Community Development
New Economics for Women
Amity Foundation

Developer: Coalition for Responsible Community Development
Investor/Consultant: National Equity Fund
Management Agent(s): The John Steward Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 52
No. & % of Tax Credit Units: 51 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (38 Units / 80%) / HUD-VASH
Project-based Vouchers (13 Units / 20%)

Information

Set-Aside: Nonprofit (homeless assistance)
Housing Type: Special Needs
Type of Special Needs: Homeless
Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
% of Special Need Units 51 units 100%
Geographic Area: City of Los Angeles
TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 51	80%

Unit Mix

39 2-Bedroom Units
13 3-Bedroom Units
<u>52 Total Units</u>

<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>
27 2 Bedrooms	30%	30%	\$705
11 2 Bedrooms	30%	30%	\$705
11 3 Bedrooms	30%	30%	\$814
2 3 Bedrooms	30%	30%	\$814
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,361,307
Construction Costs	\$18,984,780
Rehabilitation Costs	\$0
Construction Contingency	\$1,369,758
Relocation	\$177,500
Architectural/Engineering	\$1,203,553
Const. Interest, Perm. Financing	\$2,170,051
Legal Fees	\$160,000
Reserves	\$957,151
Other Costs	\$837,900
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$32,422,000

Residential

Construction Cost Per Square Foot:	\$247
Per Unit Cost:	\$623,500
True Cash Per Unit Cost*:	\$623,500

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
California Bank & Trust	\$17,000,000	California Bank & Trust	\$5,700,000
HCIDLA - HHH	\$7,180,000	HCIDLA - HHH	\$7,180,000
LACDA - NPLH	\$3,950,000	LACDA - NPLH	\$4,000,000
Deferred Costs & Fees	\$2,737,800	Tax Credit Equity	\$15,542,000
Tax Credit Equity	\$1,554,200	TOTAL	\$32,422,000

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,761,210
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,189,573
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,727,062
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.89991

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$14,761,210
Actual Eligible Basis:	\$25,323,798
Unadjusted Threshold Basis Limit:	\$19,674,304
Total Adjusted Threshold Basis Limit:	\$27,347,282

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
- 100% of the Low Income Units for Special Needs Population
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Special Needs
Final:	78.742%

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 9.0% 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

This project's estimated cost is \$623,500 per unit. The project's cost is due in part to its location in the city of Los Angeles which has been experiencing competition for labor and increased labor costs, including this project's requirement to pay prevailing wages. In addition, the project will include a podium parking garage, supportive services offices to serve the special needs tenants, a large transition reserve required under the No Place Like Home program funding, and larger two-bedroom and three bedroom unit sizes which all contribute the project's cost.

Resyndication and Resyndication Transfer Event: None.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, City of Los Angeles, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	0
Within ½ mile of a neighborhood market of at least 5,000 sf	3	0	3
Within ½ mile of a middle school that project children may attend	3	3	3
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.