

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 First Round**

**June 17, 2020**

Lexington Avenue Senior Apartments, located at 250 East Lexington Avenue in El Cajon, is being recommended for a reservation of \$1,433,487 in annual federal tax credits rehabilitation of 99 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project is being developed by Thomas Safran & Associates Development, Inc. and is located in Senate District 38 and Assembly District 71.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-20-044

**Project Name** Lexington Avenue Senior Apartments  
**Site Address:** 250 East Lexington Avenue  
El Cajon, CA 92019 County: San Diego  
**Census Tract:** 158.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,433,487	\$0
Recommended:	\$1,433,487	\$0

**Applicant Information**

**Applicant:** Lexington ECJ Housing, L.P.  
**Contact:** Anthony Yannata  
**Address:** 11811 San Vicente Boulevard  
Los Angeles, CA 90049  
**Phone:** 310-820-4888  
**Email:** anthony@tsahousing.com

**General Partner(s) / Principal Owner(s):** Lexington ECJ 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:** National Equity Fund  
**Management Agent(s):** Thomas Safran & Associates Inc.

**Project Information**

**Construction Type:** Rehabilitation-Only  
**Total # Residential Buildings:** 1  
**Total # of Units:** 100  
**No. & % of Tax Credit Units:** 99 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** HUD Section 8 Project-based Vouchers (40 Units / 40%)

**Information**

**Set-Aside:** N/A  
**Housing Type:** Seniors  
**Geographic Area:** San Diego County  
**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: 40	40%
At or Below 50% AMI: 8	8%
At or Below 60% AMI: 51	50%

**Unit Mix**

88 1-Bedroom Units
12 2-Bedroom Units
<u>100 Total Units</u>

<u>Unit Type &amp; 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>
40 1 Bedroom	30%	23%	\$459
8 1 Bedroom	50%	31%	\$631
10 1 Bedroom	60%	31%	\$631
30 1 Bedroom	60%	27%	\$545
11 2 Bedrooms	60%	26%	\$631
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$15,500,000
Construction Costs	\$0
Rehabilitation Costs	\$8,800,650
Construction Contingency	\$1,033,261
Relocation	\$150,000
Architectural/Engineering	\$285,500
Const. Interest, Perm. Financing	\$453,573
Legal Fees	\$108,600
Reserves	\$255,000
Other Costs	\$279,290
Developer Fee	\$1,598,090
Commercial Costs	\$0
<b>Total</b>	<b>\$28,463,964</b>

**Residential**

Construction Cost Per Square Foot:	\$127
Per Unit Cost:	\$284,640
True Cash Per Unit Cost*:	\$175,422

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
PNC Bank, Tranche A <sup>1</sup>	\$3,667,589	PNC Bank, Tranche A <sup>1</sup>	\$3,667,589
PNC Bank, Tranche B <sup>1</sup>	\$900,211	PNC Bank, Tranche B <sup>1</sup>	\$900,211
City of El Cajon - Land Donation	\$10,543,750	City of El Cajon - Land Donation	\$10,543,750
City of El Cajon	\$206,250	City of El Cajon	\$206,250
Deferred Developer Fee	\$1,598,090	Deferred Developer Fee	\$378,000
Tax Credit Equity	\$11,548,074	Tax Credit Equity	\$12,768,164
		<b>TOTAL</b>	<b>\$28,463,964</b>

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

<sup>1</sup>HUD 221(d)(4) loans

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$12,252,022
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$15,927,629
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,433,487
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,598,090
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.89071

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:	\$12,252,022
Actual Eligible Basis:	\$12,252,022
Unadjusted Threshold Basis Limit:	\$27,252,584
Total Adjusted Threshold Basis Limit:	\$35,428,359

**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

**Tie-Breaker Information**

First:	<b>Seniors</b>
Final:	<b>59.915%</b>

**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:**

The project’s owner will pay all of the utilities at the project. The utility allowance is therefore \$0.

At placed-in-service, any units not occupied by income-qualified tenants will not be considered tax credit units and the applicable fraction will be adjusted accordingly.

**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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ¾ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	3	3	3
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	0
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**