

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Beach Park Apartments, located at 716, 720, 722 and 730 West Beach Avenue in Inglewood, requested and is being recommended for a reservation of \$1,663,096 in annual federal tax credits to finance the new construction of 41 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and will be located in Senate District 35 and Assembly District 62.

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

Project Number CA-20-054

Project Name Beach Park Apartments
Site Address: 716, 720, 722 and 730 West Beach Avenue
Inglewood, CA 90302 County: Los Angeles
Census Tract: 6013.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,663,096	\$0
Recommended:	\$1,663,096	\$0

Applicant Information

Applicant: Beach Avenue Housing, L.P.
Contact: Anthony Yannatta
Address: 11812 San Vicente Blvd., Suite 600
Los Angeles, CA 90049
Phone: 310-820-4888
Email: anthony@tsahousing.com

General Partner(s) / Principal Owner(s): Beach Avenue Housing, LLC
Housing Corporation of America
General Partner Type: Joint Venture
Parent Company(ies): Thomas L. Safran Living Trust
Housing Corporation of America
Developer: Thomas Safran & Associates Development, Inc.
Investor/Consultant: Wells Fargo Community Lending
Management Agent(s): Thomas Safran & Associates, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 42
No. & % of Tax Credit Units: 41 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project Based Vouchers (31 units - 75%).
FHA Section 221(d)(4) insured loan.

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	5	10%
At or Below 40% AMI:	5	10%
At or Below 45% AMI:	11	25%
At or Below 50% AMI:	10	20%
At or Below 60% AMI:	10	20%

Unit Mix

19 1-Bedroom Units
12 2-Bedroom Units
11 3-BedroomUnits
42 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	30%	30%	\$587
11 1 Bedroom	45%	45%	\$881
7 1 Bedroom	50%	50%	\$979
2 2 Bedrooms	30%	30%	\$705
3 2 Bedrooms	40%	40%	\$940
1 2 Bedrooms	50%	50%	\$1,175
5 2 Bedrooms	60%	60%	\$1,410
2 3 Bedrooms	30%	30%	\$814
2 3 Bedrooms	40%	40%	\$1,086
2 3 Bedrooms	50%	50%	\$1,357
5 3 Bedrooms	60%	60%	\$1,628
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,375,000
Construction Costs	\$15,818,601
Rehabilitation Costs	\$0
Construction Contingency	\$1,516,825
Relocation	\$128,681
Architectural/Engineering	\$930,000
Const. Interest, Perm. Financing	\$1,248,626
Legal Fees	\$195,000
Reserves	\$157,459
Other Costs	\$1,527,220
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$28,897,412

Residential

Construction Cost Per Square Foot:	\$391
Per Unit Cost:	\$688,034
True Cash Per Unit Cost*:	\$571,355

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
PNC Bank Tranche A FHA 221(d)(4)	\$2,286,502	PNC Bank Tranche A FHA 221(d)(4)	\$2,286,502
PNC Bank Tranche B FHA 221(d)(4)	\$2,745,180	PNC Bank Tranche B FHA 221(d)(4)	\$2,745,180
Wells Fargo Bank Bridge Loan	\$9,941,702	City of Inglewood - Donated Land	\$4,660,000
City of Inglewood - Donated Land	\$4,660,000	City of Inglewood - Soft Loan	\$3,500,000
City of Inglewood - Soft Loan	\$3,500,000	City of Inglewood - Waived Impact Fees	\$240,260
City of Inglewood - Waived Impact Fees	\$240,260	Deferred Developer Fee	\$234
Deferred Costs	\$157,459	Tax Credit Equity	\$15,465,236
Deferred Developer Fee	\$1,500,000	TOTAL	\$28,897,412
Tax Credit Equity	\$3,866,309		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,478,839
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$18,478,839
Applicable Rate:	9.00%
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,663,096
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,000,000
Investor/Consultant:	Wells Fargo Community Lending
Federal Tax Credit Factor:	\$0.92991

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:	\$18,478,839
Actual Eligible Basis:	\$22,578,839
Unadjusted Threshold Basis Limit:	\$14,791,434
Total Adjusted Threshold Basis Limit:	\$20,544,744

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.

Local Development Impact Fees.

95% of Upper Floor Units are Elevator-Serviced.

Tie-Breaker Information

First: **Large Family**
Final: **50.587%**

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 noted that the project did not include a required replacement reserve in the budget. At placed-in-service review, the applicant is cautioned that the replacement reserve must meet the TCAC requirement. Staff has calculated federal tax credits based on 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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 estimated cost of the project is \$688,034 per unit. This relatively high cost is due to the escalating cost of construction in Los Angeles, the project's rental subsidies supporting a strong property value and acquisition cost, and the costs associated with the project's LEED building design.

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.

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
Negative Points		0	0
Housing Needs	10	10	10
Site Amenities	15	20	15
Within ¼ mile of transit	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/4 mile of a public elementary school	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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
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	50.0	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
Smoke Free Residence	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.