

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
September 16, 2020**

5th Street PSH, located at 409-411 E. Fifth Street in Los Angeles, requested and is being recommended for a reservation of \$1,780,497 in annual federal tax credits to finance the new construction of 149 units of housing serving special needs tenants with rents affordable to households earning 30% - 50% of area median income (AMI). The project will be developed by 5th Street Partnership, LLC and will be located in Senate District 30 and Assembly District 53.

**Project Number** CA-20-589

**Project Name** 5th Street PSH  
Site Address: 409-411 E. Fifth Street  
Los Angeles, CA 90013 County: Los Angeles  
Census Tract: 2062.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,780,497	\$0
Recommended:	\$1,780,497	\$0

**Applicant Information**

Applicant: 5th Street Partnership, LLC  
Contact: Mark McGregor  
Address: 1605 N. Cahuenga Boulevard  
Hollywood, CA 90028  
Phone: 323-466-1400  
Email: m.mcgregor@relevantgroup.com

General Partner(s) or Principal Owner(s): 5th Street Partnership LLC  
Skid Row Housing Trust

General Partner Type: Joint Venture

Parent Company(ies): Relevant Group LLC  
Skid Row Housing Trust

Developer: 5th Street Partnership LLC

Investor/Consultant: Enterprise Community Investment, Inc.

Management Agent: Skid Row Housing Trust

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 149  
No. / % of Low Income Units: 149 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt

**Bond Information**

Issuer: California Municipal Finance Authority  
Expected Date of Issuance: November 1, 2020

**Information**

Housing Type: Special Needs  
Geographic Area: City of Los Angeles  
TCAC Project Analyst: Sara Dixon

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 16	11%
40% AMI: 46	31%
50% AMI: 87	58%

**Unit Mix**

<u>149 1-Bedroom Units</u>		<u>149 Total Units</u>	
<u>Unit Type &amp; Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	20%	\$426
15 1 Bedroom	30%	30%	\$633
46 1 Bedroom	40%	40%	\$845
87 1 Bedroom	50%	48%	\$1,014

**Project Cost Summary at Application**

Land and Acquisition	\$3,998,800
Construction Costs	\$30,964,002
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,548,200
Soft Cost Contingency	\$474,806
Relocation	\$0
Architectural/Engineering	\$1,160,679
Const. Interest, Perm. Financing	\$3,326,777
Legal Fees	\$165,000
Reserves	\$637,607
Other Costs	\$1,459,199
Developer Fee	\$5,513,741
Commercial Costs	\$0
<b>Total</b>	<b>\$49,248,811</b>

**Residential**

Construction Cost Per Square Foot:	\$461
Per Unit Cost:	\$330,529
True Cash Per Unit Cost*:	\$317,292

**Construction Financing**

<u>Source</u>	<u>Amount</u>
California Bank & Trust	\$27,000,000
California Bank & Trust	\$12,030,000
General Partner Loan	\$2,000,000
Deferred Costs	\$5,815,051
Tax Credit Equity	\$2,403,761

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
California Bank & Trust	\$27,000,000
California Bank & Trust	\$1,700,000
General Partner Loan	\$2,000,000
General Partner Equity	\$551,375
Deferred Developer Fee	\$1,972,366
Tax Credit Equity	\$16,025,070
<b>TOTAL</b>	<b>\$49,248,811</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$42,272,012
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$54,953,616
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$1,780,497
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,513,741
Investor/Consultant:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	\$0.90003

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:	\$42,272,012
Actual Eligible Basis:	\$42,272,012
Unadjusted Threshold Basis Limit:	\$50,396,568
Total Adjusted Threshold Basis Limit:	\$110,368,484

**Adjustments to Basis Limit**

- 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: 89%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 20%

**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**

In lieu of 1 on-site manager unit, the project is committed to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

**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.