

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Jordan Downs Phase S2, located at 2031, 2045, 2063 E. 101st Street and 10010, 10016 Grape Street in Los Angeles, requested and is being recommended for a reservation of \$1,970,328 in annual federal tax credits to finance the new construction 80 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by The Michaels Development Company I, LP and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD Rental Assistance Demonstration (RAD) Project-based Vouchers. The project financing includes state funding from the IIG program of HCD.

Project Number CA-20-628

Project Name Jordan Downs Phase S2
Site Address: 2031, 2045, 2063 E. 101st Street and 10010, 10016 Grape Street
 Los Angeles, CA 90002 County: Los Angeles
Census Tract: 2421.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,970,328	\$0
Recommended:	\$1,970,328	\$0

Applicant Information

Applicant: Jordan Downs Phase S2, LP
Contact: Milton R. Pratt, Jr.
Address: 2 Cooper Street, 14th Floor
 Camden, NJ 08102
Phone: (856) 797-8964
Email: mpratt@tmo.com

General Partner(s) or Principal Owner(s): Jordan S2-Michaels, LLC
 La Cienega LOMOD, Inc.

General Partner Type: Joint Venture

Parent Company(ies): The Michaels Organization
 The Housing Authority of the City of Los Angeles

Developer: The Michaels Development Company I, LP

Investor/Consultant: Berkadia Affordable Tax Credit Solutions

Management Agent: Michaels Management Affordable

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 81
 No. / % of Low Income Units: 80 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD RAD Project-based Vouchers (21% / 17 Units) & HUD Section 8 Project-based Vouchers (79% / 63 Units)

Bond Information

Issuer: Housing Authority of the City of Los Angeles
 Expected Date of Issuance: February 25, 2021

Information

Housing Type: Large Family
 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>
30% AMI: 14	18%
40% AMI: 14	18%
50% AMI: 52	65%

Unit Mix

18 1-Bedroom Units
 33 2-Bedroom Units
 29 3-Bedroom Units
 1 4-Bedroom Units

 81 Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	30%	30%	\$633
3 1 Bedroom	40%	40%	\$845
10 1 Bedroom	50%	50%	\$1,056
3 1 Bedroom	50%	50%	\$1,056
1 1 Bedroom	30%	30%	\$633
2 2 Bedrooms	40%	40%	\$1,014
1 2 Bedrooms	40%	40%	\$1,014
3 2 Bedrooms	50%	50%	\$1,267
5 2 Bedrooms	50%	50%	\$1,267
12 2 Bedrooms	50%	50%	\$1,267
9 2 Bedrooms	30%	30%	\$760
3 3 Bedrooms	30%	30%	\$878
6 3 Bedrooms	50%	50%	\$1,464
2 3 Bedrooms	50%	50%	\$1,464
9 3 Bedrooms	50%	50%	\$1,464
2 3 Bedrooms	50%	50%	\$1,464
6 3 Bedrooms	40%	40%	\$1,171
1 3 Bedrooms	40%	40%	\$1,171
1 4 Bedrooms	40%	40%	\$1,307
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,077,500
Construction Costs	\$36,014,949
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,888,247
Soft Cost Contingency	\$266,223
Relocation	\$0
Architectural/Engineering	\$1,155,000
Const. Interest, Perm. Financing	\$4,937,245
Legal Fees	\$533,500
Reserves	\$1,481,941
Other Costs	\$2,703,315
Developer Fee	\$3,500,000
Commercial Costs	\$0
Total	\$58,557,920

Residential

Construction Cost Per Square Foot:	\$396
Per Unit Cost:	\$722,937
True Cash Per Unit Cost*:	\$664,913

Construction Financing

Source	Amount
Greystone - Tax-exempt	\$29,030,000
Greystone - Bridge Loan	\$13,750,000
HACLA - Ground Lease Note	\$3,400,000
HCD/HACLA-IIG Grant Fund Loan	\$2,600,000
Accrued Interest	\$283,325
Deferred Costs & Reserves	\$2,283,611
Deferred Developer Fee	\$1,300,000
Tax Credit Equity	\$5,910,984

Permanent Financing

Source	Amount
Greystone	\$14,750,000
HACLA - Ground Lease Note	\$3,400,000
HACLA-TCC Grant Fund Loan **	\$13,200,000
HACLA-CNI Grant Fund Loan***	\$2,500,000
HCD/HACLA-IIG Grant Fund Loan	\$2,600,000
AHP	\$526,215
Accrued Interest	\$283,325
Forward Commitment Fee Deposit	\$295,000
General Partner Capital Contribution	\$100
Deferred Developer Fee	\$1,300,000
Tax Credit Equity	\$19,703,280
TOTAL	\$58,557,920

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
 **HACLA - TCC (Transformative Climate Communities) Grant Fund Loan
 ***HACLA - CNI (Choice Neighborhoods Initiative) Grant Fund Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$49,374,225
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$64,186,493
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,970,328
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,500,000
Investor/Consultant:	Berkadia Affordable Tax Credit Solutions
Federal Tax Credit Factor:	\$1.00000

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:	\$49,374,225
Actual Eligible Basis:	\$49,374,225
Unadjusted Threshold Basis Limit:	\$35,278,944
Total Adjusted Threshold Basis Limit:	\$85,727,834

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: 82%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 34%

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 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 project’s estimated cost per unit is \$722,937. This project is phase S2 of the larger Jordan Downs public housing master redevelopment project. This project will require the demolition of existing buildings, and the relocation and upgrading of existing underground utilities as well as new underground utilities. This project will also require the reconstruction of portions of two public streets, including new landscaping and irrigation, road resurfacing, new sidewalks, new storm water infrastructure and electric power utilities, and the relocation and installation of water and sewer lines. In addition, the project is required to pay prevailing wages. This project’s zoning and entitlements also required that its five buildings have different designs (4 two-story walk-up buildings and 1 four-story podium building) which resulted in the loss of some construction efficiencies.

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.