

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

September 16, 2020

Main Street Apartments, located at 5501 & 5511 South Main Street in Los Angeles, requested and is being recommended for a reservation of \$1,124,457 in annual federal tax credits to finance the new construction of 56 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 Highridge Costa Development Company 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 VASH Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-644

Project Name Main Street Apartments
Site Address: 5501 & 5511 South Main Street
Los Angeles, CA 90037 County: Los Angeles
Census Tract: 2328.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,124,457	\$0
Recommended:	\$1,124,457	\$0

Applicant Information

Applicant: Main 50 Housing, LP
Contact: Mohannad H. Mohanna
Address: 330 W. Victoria Street
Gardena, CA 90248
Phone: (424) 258-2912
Email: moe.mohanna@housingpartners.com

General Partner(s) or Principal Owner(s): WCH Affordable XXXV, LLC
Highridge Costa Development Company, LLC
General Partner Type: Joint Venture
Parent Company(ies): Western Community Housing, Inc.
Highridge Costa Housing Partners, LLC
Developer: Highridge Costa Development Company
Investor/Consultant: Victoria Capital, LLC
Management Agent: FPI Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 57
 No. / % of Low Income Units: 56 100.00%
 Federal Set-Aside Elected: 20%/50%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (14 units - 25%)
 and VASH Vouchers (42 units - 75%)

Bond Information

Issuer: (HCIDLA) Los Angeles Housing + Community Investment Department
 Expected Date of Issuance: December 15, 2020

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Khrystina Martin

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 42	75%
50% AMI: 14	25%

Unit Mix

42 SRO/Studio Units
 1 1-Bedroom Units
 14 2-Bedroom Units

 57 Total Units

<u>Unit Type & 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>
32 SRO/Studio	30%	30%	\$591
10 SRO/Studio	50%	50%	\$986
10 2 Bedrooms	30%	30%	\$760
4 2 Bedrooms	50%	50%	\$1,267
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,267

Project Cost Summary at Application

Land and Acquisition	\$3,401,965
Construction Costs	\$17,954,669
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$862,651
Soft Cost Contingency	\$248,750
Relocation	\$0
Architectural/Engineering	\$1,737,125
Const. Interest, Perm. Financing	\$1,936,714
Legal Fees	\$318,400
Reserves	\$1,390,799
Other Costs	\$1,616,185
Developer Fee	\$3,177,562
Commercial Costs	\$542,460
Total	\$33,187,280

Residential

Construction Cost Per Square Foot:	\$548
Per Unit Cost:	\$572,437
True Cash Per Unit Cost*:	\$571,126

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$17,726,282
City of LA Proposition HHH	\$8,512,000
Deferred Costs	\$4,064,767
Tax Credit Equity	\$2,884,231

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$8,179,330
City of LA Proposition HHH	\$8,512,000
HCD - NPLH	\$5,060,000
Deferred Developer Fee	\$76,049
General Partner Equity	\$677,562
Tax Credit Equity	\$10,682,339
TOTAL	\$33,187,280

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$26,699,176
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$34,708,929
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,124,457
Approved Developer Fee in Project Cost:	\$3,177,562
Approved Developer Fee in Eligible Basis:	\$3,161,675
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	\$0.95000

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:	\$26,699,176
Actual Eligible Basis:	\$26,699,176
Unadjusted Threshold Basis Limit:	\$18,371,016
Total Adjusted Threshold Basis Limit:	\$56,399,019

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

100% of the Low Income Units for Special Needs Population

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 25%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 150%

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

The total development cost per unit is \$572,437. The applicant noted the cost is attributable to the high cost of construction in the Los Angeles market, high-rise building construction costs, GreenPoint Rated building standards, and payment of prevailing wages.

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

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.