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

La Veranda, located at 236 and 242 N. Soto Street, 2420 and 2432 E. Cesar East Chavez Avenue and 323 N. Mathews Street in Los Angeles, requested and is being recommended for a reservation of $2,132,392 in annual federal tax credits to finance the new construction of 76 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 Abode Communities and will be located in Senate District 24 and Assembly District 53.

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

Project Number CA-20-652

Project Name La Veranda
Site Address: 236 and 242 N. Soto Street, 2420 and 2432 E. Cesar E. Chavez Avenue and 323 N. Mathews Street
Los Angeles, CA 90033 County: Los Angeles
Census Tract: 2042.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$2,132,392	$0
Recommended:	$2,132,392	$0

Applicant Information
Applicant: La Veranda, L.P.
Contact: Lara Regus
Address: 1149 S. Hill St, Suite 700
Los Angeles, CA 90015
Phone: 213-225-2812
Email: lregus@abodecommunities.org

General Partner(s) or Principal Owner(s): La Veranda GP, LLC
General Partner Type: Nonprofit
Parent Company(ies): Abode Communities
Developer: Abode Communities
Investor/Consultant: California Housing Partnership
Management Agent: Abode Communities

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	2	
Total # of Units:	77	
No. / % of Low Income Units:	76	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (38 units - 50%)	

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	March 15, 2021

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	43	57%
40% AMI:	8	11%
50% AMI:	25	33%

Unit Mix

19	1-Bedroom Units
35	2-Bedroom Units
23	3-Bedroom Units
77	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
19	1 Bedroom	20%	20%	$422
19	2 Bedrooms	20%	20%	$506
5	3 Bedrooms	30%	30%	$878
1	2 Bedrooms	40%	39%	$987
7	3 Bedrooms	40%	37%	$1,097
14	2 Bedrooms	50%	39%	$987
11	3 Bedrooms	50%	37%	$1,097
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$6,353,365
Construction Costs	$34,890,431
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$3,489,043
Soft Cost Contingency	$254,943
Relocation	$0
Architectural/Engineering	$2,244,644
Const. Interest, Perm. Financing	$3,102,529
Legal Fees	$106,175
Reserves	$922,916
Other Costs	$2,145,948
Developer Fee	$6,065,236
Commercial Costs	$3,360,864
Total	**$62,936,094**

Residential

Construction Cost Per Square Foot:	$276
Per Unit Cost:	$768,947
True Cash Per Unit Cost*:	$768,947

Construction Financing

Source	Amount
Citibank	$32,343,967
Citibank - Taxable	$9,656,033
HCIDLA - Proposition HHH	$9,120,000
Metro Donated Land Value	$2,708,783
LA County Development Authority	$2,000,000
HCD IIG	$2,000,000
Costs Deferred Until Conversion	$1,918,840
Tax Credit Equity	$3,188,471

Permanent Financing

Source	Amount
Citibank	$6,898,200
HCD MHP	$16,600,000
HCIDLA - Proposition HHH	$9,120,000
Metro Donated Land Value	$2,708,783
LA County Development Authority	$2,000,000
HCD IIG	$2,000,000
General Partner Contribution	$4,359,789
Tax Credit Equity	$19,249,322
TOTAL	**$62,936,094**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$50,626,579
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$65,814,553
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$2,132,392
Approved Developer Fee in Project Cost:	$6,065,236
Approved Developer Fee in Eligible Basis:	$5,698,896
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	$0.90271

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:	$50,626,579
Actual Eligible Basis:	$50,626,579
Unadjusted Threshold Basis Limit:	$27,649,853
Total Adjusted Threshold Basis Limit:	$90,166,276

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.
Project subject to a project labor agreement.
Local Development Impact Fees.
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: 51%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 133%

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 estimated cost of the project is $768,947 per unit. This cost is due in part to labor costs driven by prevailing wage and labor agreement requirements. Continued escalation in construction material prices also is a major cost driver. The project’s site layout with an alley running through the property required a two-building design that limited the project’s ability to capture economies of scale. Other contributing factors include extended holding costs due to delays in public funding and HCD’s requirement of a transition reserve.

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.