

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Oatsie's Place, located at 16015 Sherman Way in Los Angeles, requested and is being recommended for a reservation of \$685,995 in annual federal tax credits to finance the new construction of 45 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 Decro Corporation / Daylight Community Development, LLC and will be located in Senate District 18 and Assembly District 46.

The project will be receiving rental assistance in the form of Los Angeles DHS Flexible Housing Subsidy Pool (FHSP).

Project Number CA-20-653

Project Name Oatsie's Place
Site Address: 16015 Sherman Way
Los Angeles, CA 91406 County: Los Angeles
Census Tract: 1274.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$685,995	\$0
Recommended:	\$685,995	\$0

Applicant Information

Applicant: 16015 Sherman, L.P.
Contact: Gregory Comanor
Address: 455 North Sycamore Avenue, Unit 17
Los Angeles, CA 90036
Phone: (818) 400-1510
Email: greg@daylight.la

General Partner(s) or Principal Owner(s): Daylight Sherman, LLC
Angelino Supportive Housing Partners, LLC
Decro Sherman LLC

General Partner Type: Joint Venture

Parent Company(ies): Daylight Community Development, LLC
Angelino Supportive Housing Partners, LLC

Developer: Decro Corporation
Daylight Community Development, LLC

Investor/Consultant: Enterprise Housing Credit Investments

Management Agent: FPI Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 46
 No. / % of Low Income Units: 45 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

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

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 16	36%
50% AMI: 29	64%

Unit Mix

20 SRO/Studio Units
25 1-Bedroom Units
1 2-Bedroom Units
<u>46 Total Units</u>

<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>
7 SRO/Studio	30%	30%	\$591
13 SRO/Studio	50%	50%	\$986
9 1 Bedroom	30%	30%	\$633
16 1 Bedroom	50%	50%	\$1,056
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,451,277
Construction Costs	\$11,204,897
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$740,679
Soft Cost Contingency	\$205,697
Relocation	\$0
Architectural/Engineering	\$421,200
Const. Interest, Perm. Financing	\$1,231,395
Legal Fees	\$374,500
Reserves	\$331,356
Other Costs	\$879,567
Developer Fee	\$1,937,181
Commercial Costs	\$0
Total	\$19,777,749

Residential

Construction Cost Per Square Foot:	\$577
Per Unit Cost:	\$429,951
True Cash Per Unit Cost*:	\$418,001

Construction Financing

Source	Amount
Citi Community Capital	\$11,037,885
HCIDLA HHH - Tranche A	\$6,300,000
Deferred Costs	\$356,356
Deferred Developer Fee	\$1,350,141
Tax Credit Equity	\$733,367

Permanent Financing

Source	Amount
Citi Community Capital	\$6,616,902
HCIDLA HHH - Tranche A	\$6,300,000
Deferred Developer Fee	\$549,695
Tax Credit Equity	\$6,311,152
TOTAL	\$19,777,749

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,286,677
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,172,680
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$685,995
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,937,181
Investor/Consultant:	Enterprise Housing Credit Investments
Federal Tax Credit Factor:	\$0.92000

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:	\$16,286,677
Actual Eligible Basis:	\$16,286,677
Unadjusted Threshold Basis Limit:	\$14,730,840
Total Adjusted Threshold Basis Limit:	\$39,300,584

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
- 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: 64%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 70%

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: None.

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.