

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Bryson II HHH Affordable Housing, located at 2701 Wilshire Boulevard in Los Angeles, requested and is being recommended for a reservation of \$1,914,575 in annual federal tax credits to finance the new construction of 63 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 The Richman Group of California Development Company, LLC and will be located in Senate District 24 and Assembly District 53.

Bryson II HHH Affordable Housing will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-20-176

Project Name Bryson II HHH Affordable Housing
Site Address: 2701 Wilshire Boulevard
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2087.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,914,575	\$0
Recommended:	\$1,914,575	\$0

Applicant Information

Applicant: Bryson II Partners, LP
Contact: Rick Westberg
Address: 420 31st Street, Suite-B1
Newport Beach, CA 92663
Phone: 949-612-7293
Email: westbergr@richmancapital.com

General Partner(s) / Principal Owner(s):	Bryson II GP LLC Los Angeles Housing Partnership
General Partner Type:	Joint Venture
Parent Company(ies):	The Richman Group of California Development Company
Developer:	The Richman Group of California Development Company, LL
Investor/Consultant:	The Richman Group Affordable Housing Corporation
Management Agent(s):	Richman Property Services

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 64
No. & % of Tax Credit Units: 63 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (48 units - 76%)

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Formerly homeless, Persons with developmental disabilities
 Average Targeted Affordability of Special Needs/SRO Project Units: 34.76%
 % of Special Need Units 48 units 76%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Brett Andersen

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 48	75%
At or Below 50% AMI: 15	20%

Unit Mix

33 SRO/Studio Units
<u>31 1-Bedroom Units</u>
64 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>
33 SRO/Studio	30%	19%	\$384
15 1 Bedroom	30%	21%	\$439
15 1 Bedroom	50%	50%	\$1,056
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,900,000
Construction Costs	\$20,452,452
Rehabilitation Costs	\$0
Construction Contingency	\$1,192,623
Relocation	\$0
Architectural/Engineering	\$1,879,280
Const. Interest, Perm. Financing	\$1,910,000
Legal Fees	\$175,000
Reserves	\$420,000
Other Costs	\$1,950,000
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$34,079,355

Residential

Construction Cost Per Square Foot:	\$366
Per Unit Cost:	\$532,490
True Cash Per Unit Cost*:	\$498,115

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$17,657,000	Bank of America	\$4,736,988
HCIDLA - HHH	\$10,060,000	HCIDLA - HHH	\$10,060,000
Department of Developmental Services	\$1,000,000	Department of Developmental Services	\$1,000,000
Deferred Costs	\$420,000	Tax Credit Equity	\$18,282,367
Deferred Developer Fee	\$2,200,000	TOTAL	\$34,079,355
Tax Credit Equity	\$2,742,355		

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

**via Frank D. Lanterman Regional Center

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,363,892
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,273,060
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,914,575
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	The Richman Group Affordable Housing Corporation
Federal Tax Credit Factor:	\$0.95490

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$16,363,892
Actual Eligible Basis:	\$28,212,655
Unadjusted Threshold Basis Limit:	\$17,477,008
Total Adjusted Threshold Basis Limit:	\$25,495,674

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used)
- For new construction projects, meet all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Special Needs
Final:	64.858%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Negative Points		0	0
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs project within 1 mile of facility serving tenant population	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.