

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Depot at Hyde Park, located at 6527-6531 S. Crenshaw Boulevard in Los Angeles, requested and is being recommended for a reservation of \$1,684,791 in annual federal tax credits to finance the new construction of 42 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 GTM Holdings, LLC and will be located in Senate District 30 and Assembly District 62.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program of HCD.

Project Number CA-20-180

Project Name Depot at Hyde Park
Site Address: 6527-6531 S. Crenshaw Boulevard
Los Angeles, CA 90043 County: Los Angeles
Census Tract: 2349.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,684,791	\$0
Recommended:	\$1,684,791	\$0

Applicant Information

Applicant: Depot at Hyde Park Partners, LP
Contact: Mark Walther
Address: 250 N. Harbor Drive, Suite 311
Redondo Beach, CA 90277
Phone: 310-372-0003
Email: mark@gtmholdings.net

General Partner(s) / Principal Owner(s): Depot at Hyde Park Developers, LLC
WORKS Depot MGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): GTM Holdings, LLC
Women Organizing Resources, Knowledge and Services
Developer: GTM Holdings, LLC
Investor/Consultant: National Equity Fund, Inc.
Management Agent(s): John Stewart Co.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 43
No. & % of Tax Credit Units: 42 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (33 units - 79%)

Information

Set-Aside: N/A
Housing Type: Special Needs
Type of Special Needs: Homeless
Average Targeted Affordability of Special Needs/SRO Project Units: 34.29%
% of Special Need Units: 33 units 79%
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>
At or Below 30% AMI: 33	75%
At or Below 50% AMI: 9	20%

Unit Mix

23 1-Bedroom Units
10 2-Bedroom Units
10 3-Bedroom Units
<u>43 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>
5 1 Bedroom	30%	20%	\$416
17 1 Bedroom	30%	30%	\$633
1 1 Bedroom	50%	40%	\$845
8 2 Bedrooms	30%	30%	\$760
1 2 Bedrooms	50%	40%	\$1,014
3 3 Bedrooms	30%	30%	\$878
7 3 Bedrooms	50%	40%	\$1,171
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,974,787
Construction Costs	\$17,240,856
Rehabilitation Costs	\$0
Construction Contingency	\$1,306,843
Relocation	\$246,000
Architectural/Engineering	\$1,101,015
Const. Interest, Perm. Financing	\$1,583,500
Legal Fees	\$165,000
Reserves	\$519,436
Other Costs	\$1,642,628
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$28,980,065

Residential

Construction Cost Per Square Foot:	\$338
Per Unit Cost:	\$673,955
True Cash Per Unit Cost*:	\$663,722

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
California Bank & Trust	\$14,950,000	California Bank & Trust	\$3,200,000
HCIDLA - HHH	\$5,750,000	HCIDLA - HHH	\$6,840,000
HCD & Los Angeles County-NPLH	\$3,020,000	HCD & Los Angeles County-NPLH	\$3,170,000
City of Los Angeles - Land Loan	\$440,000	City of Los Angeles - Land Loan	\$440,000
Deferred Costs & Fees	\$2,520,555	Tax Credit Equity	\$15,330,065
Tax Credit Equity	\$2,299,510	TOTAL	\$28,980,065

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,399,923
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,719,900
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,684,791
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$0.90991

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:	\$14,399,923
Actual Eligible Basis:	\$24,162,468
Unadjusted Threshold Basis Limit:	\$14,804,162
Total Adjusted Threshold Basis Limit:	\$20,313,050

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
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Special Needs
Final:	64.982%

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 9.0% 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

This project's estimated cost per unit is \$673,955. This project is a relatively small 43-unit project serving, in part, a special needs population of homeless persons/households and families, as well as low-income households and families. As a result, the project's 43 units include larger sized units than the studio and one-bedroom units typically provided in special needs projects. Other costs contributing are the transition reserve required by the No Place Home funding, holding costs of the bridge loan, prevailing wage costs, and the increase in the cost of products and materials.

Resyndication and Resyndication Transfer Event: None

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
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ 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 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/4 mile of a public elementary school that project children may attend	3	3	0
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements: LEED	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
Revitalization Area Project	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.