

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

December 9, 2020

Asante, located at 11001 S. Broadway in Los Angeles, requested and is being recommended for a reservation of \$1,037,389 in annual federal tax credits to finance the new construction of 54 units of housing serving special needs tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 30 and Assembly District 64.

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

Project Number CA-20-679

Project Name Asante
Site Address: 11001 S. Broadway
Los Angeles, CA 90061 County: Los Angeles
Census Tract: 2411.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,037,389	\$0
Recommended:	\$1,037,389	\$0

Applicant Information

Applicant: S. Broadway SH, L.P.
Contact: Marie Allen
Address: 13520 Evening Creek Drive N. Suite 160
San Diego, CA 92128
Phone: (858) 679-2464
Email: marie@affirmedhousing.com

General Partner(s) or Principal Owner(s): AHG Asante, LLC
Las Palmas Foundation
General Partner Type: Joint Venture
Parent Company(ies): Affirmed Housing Group, Inc
Las Palmas Foundation
Developer: Affirmed Housing Group, Inc.
Investor/Consultant: WNC & Associates, Inc.
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 55
 No. / % of Low Income Units: 54 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (54 units-100%)

Bond Information

Issuer: City of Los Angeles (HCIDLA)
 Expected Date of Issuance: April 1, 2021

Information

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

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
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50% AMI:	54	100%

Unit Mix

35 SRO/Studio Units
19 1-Bedroom Units
1 2-Bedroom Units
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55 Total Units

Unit Type & Number	2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
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8 SRO/Studio	50%	34%	\$679
27 SRO/Studio	50%	28%	\$545
15 1 Bedroom	50%	26%	\$545
4 1 Bedroom	50%	34%	\$727
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,739,130
Construction Costs	\$17,310,881
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,222,261
Soft Cost Contingency	\$218,748
Relocation	\$0
Architectural/Engineering	\$1,025,000
Const. Interest, Perm. Financing	\$1,868,968
Legal Fees	\$237,500
Reserves	\$194,000
Other Costs	\$1,243,499
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$27,559,987

Residential

Construction Cost Per Square Foot:	\$554
Per Unit Cost:	\$501,091
True Cash Per Unit Cost*:	\$501,091

Construction Financing**Permanent Financing**

Source	Amount	Source	Amount
Banner Bank	\$15,761,456	Banner Bank	\$6,026,050
HHH Funds (HCIDLA)	\$10,833,137	HHH Funds (HCIDLA)	\$11,880,000
Tax Credit Equity	\$965,394	Tax Credit Equity	\$9,653,937
		TOTAL	\$27,559,987

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,629,357
130% High Cost Adjustment:	Yes
Requested Eligible Basis:	\$0
Applicable Fraction:	100.00%
Qualified Basis:	\$32,018,164
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,037,389
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	\$0.93060

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:	\$24,629,357
Actual Eligible Basis:	\$24,629,357
Unadjusted Threshold Basis Limit:	\$17,101,728
Total Adjusted Threshold Basis Limit:	\$39,821,704

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: 100%

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

Staff noted a per unit development cost of \$501,091, The applicant noted that the per unit cost is attributed in part to its location south of Downtown Los Angeles, near public transportation that runs frequently. In addition, the applicant will be required to pay prevailing wages.

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.