CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 9, 2020

3rd & Dangler, located at 4639-4655 East 3rd Street in Los Angeles, requested and is being recommended for a reservation of $1,552,617 in annual federal tax credits to finance the new construction of 77 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by National Community Renaissance of California and will be located in Senate District 24 and Assembly District 51.

3rd & Dangler will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the AHSC programs of HCD.

Project Number	CA-20-704	
Project Name	3rd & Dangler	
Site Address:	4639-4655 East 3rd Street	
	Los Angeles, CA 90022	County: Los Angeles
Census Tract:	5305.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,552,617	$0
Recommended:	$1,552,617	$0

Applicant Information

Applicant:	3rd & Dangler, LP
Contact:	Zoe Kranemann
Address:	9421 Haven Avenue Rancho Cucamonga, CA 91730
Phone:	(951) 727-6442
Email:	zkranemann@nationalcore.org

General Partner(s) or Principal Owner(s):	NCRC Dangler, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	National Community Renaissance of California
Developer:	National Community Renaissance of California
Investor/Consultant:	Hudson Housing Capital
Management Agent:	National Community Renaissance of California

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	78
No. / % of Low Income Units:	77 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (39 units - 50%)

Bond Information

Issuer:	Los Angeles County Development Authority
Expected Date of Issuance:	May 20, 2021

Information

Housing Type:	Non-Targeted
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	39	51%
50% AMI:	13	17%
60% AMI:	25	32%

Unit Mix

20	SRO/Studio Units
49	1-Bedroom Units
9	2-Bedroom Units
78	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15	SRO/Studio	30%	30%	$591
5	SRO/Studio	50%	45%	$885
24	1 Bedroom	30%	30%	$633
4	1 Bedroom	50%	50%	$1,056
21	1 Bedroom	60%	52%	$1,092
4	2 Bedrooms	50%	50%	$1,267
4	2 Bedrooms	60%	59%	$1,489
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$4,504,199
Construction Costs	$26,379,272
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$1,388,868
Soft Cost Contingency	$150,000
Relocation	$0
Architectural/Engineering	$1,428,764
Const. Interest, Perm. Financing	$2,791,894
Legal Fees	$150,000
Reserves	$997,382
Other Costs	$2,065,860
Developer Fee	$4,602,865
Commercial Costs	$0
Total	**$44,459,104**

Residential	
Construction Cost Per Square Foot:	$438
Per Unit Cost:	$569,989
True Cash Per Unit Cost*:	$536,293

Construction Financing

Source	Amount
JP Morgan Chase - Tax Exempt	$22,000,000
JP Morgan Chase - Taxable	$10,000,000
LACDA Land Loan	$1,416,800
LACDA Capital Funds	$7,000,000
Deferred Costs	$1,155,852
Tax Credit Equity	$2,886,452

Permanent Financing

Source	Amount
JP Morgan Chase - Tax Exempt	$4,987,094
LACDA Land Loan	$1,416,800
LACDA Capital Funds	$7,000,000
HCD - AHSC	$13,987,646
Los Angeles County Fee Waiver	$525,365
General Partner Equity	$2,102,865
Tax Credit Equity	$14,439,334
TOTAL	**$44,459,104**

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

Determination of Credit Amount(s)	
Requested Eligible Basis:	$38,407,663
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$49,929,961
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$1,552,617
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,602,865
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	$0.93000

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:	$38,407,663
Actual Eligible Basis:	$38,407,663
Unadjusted Threshold Basis Limit:	$26,112,408
Total Adjusted Threshold Basis Limit:	$66,572,035

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 16%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 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 $536,239 per unit. The applicant noted that the per unit cost is attributed to the construction of two levels of subterranean parking, energy efficiency features, prevailing wage, and increased construction costs.

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.