

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

Weingart Tower II, located at 555-561 S. Crocker Street in Los Angeles, requested and is being recommended for a reservation of \$3,309,030 in annual federal tax credits to finance the new construction of 142 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 Chelsea Investment Corporation and will be located in Senate District 22 and Assembly District 46.

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 and MHP programs of HCD.

Project Number CA-20-726

Project Name Weingart Tower II
Site Address: 555-561 S. Crocker Street
 Los Angeles, CA 90013 County: Los Angeles
Census Tract: 0.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,309,030	\$0
Recommended:	\$3,309,030	\$0

Applicant Information

Applicant: Weingart Tower II, LP
Contact: Colleen Edwards
Address: 6339 Paseo Del Lago
 Carlsbad, CA 92011
Phone: 323-590-0233
Email: cedwards@chesleainvestco.com

General Partner(s) or Principal Owner(s): CIC Weingart Tower II, LLC
 WC Towers II LLC
General Partner Type: Joint Venture
Parent Company(ies): Chelsea Investment Corporation
 Weingart Center Association
Developer: Chelsea Investment Corporation
Investor/Consultant: The Richman Group
Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 144
 No. / % of Low Income Units: 142 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (142 units - 100%)

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: June 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 80	56%
35% AMI: 21	15%
40% AMI: 21	15%
50% AMI: 20	14%

Unit Mix

122 SRO/Studio Units
22 1-Bedroom Units
<u>144 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>
21 SRO/Studio	40%	40%	\$788
21 SRO/Studio	35%	35%	\$690
80 SRO/Studio	30%	30%	\$591
20 1 Bedroom	50%	50%	\$1,056
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,861,573
Construction Costs	\$57,614,384
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,880,719
Soft Cost Contingency	\$383,352
Relocation	\$0
Architectural/Engineering	\$2,343,404
Const. Interest, Perm. Financing	\$7,060,358
Legal Fees	\$410,504
Reserves	\$2,082,608
Other Costs	\$3,089,982
Developer Fee	\$9,454,641
Commercial Costs	\$0
Total	\$87,181,524

Residential

Construction Cost Per Square Foot:	\$778
Per Unit Cost:	\$605,427
True Cash Per Unit Cost*:	\$554,426

Construction Financing

Source	Amount
Citibank - T.E. Bonds	\$44,020,000
Citibank	\$18,929,772
HCIDLA - Prop HHH Loan	\$14,400,000
City of Los Angeles - Land Loan	\$906,475
Deferred Costs	\$5,980,240
Tax Credit Equity	\$2,945,037

Permanent Financing

Source	Amount
Citibank	\$5,903,538
HCIDLA - Prop HHH Loan	\$16,000,000
City of Los Angeles - Land Loan	\$906,475
HCD - MHP	\$19,910,503
HCD - NPLH	\$7,608,696
Deferred Developer Fee	\$7,344,138
Solar Tax Credit Equity	\$57,805
Tax Credit Equity	\$29,450,370
TOTAL	\$87,181,524

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$78,569,830
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$102,140,779
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$3,309,030
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,454,641
Investor/Consultant:	The Richman Group
Federal Tax Credit Factor:	\$0.89000

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:	\$78,569,830
Actual Eligible Basis:	\$78,569,830
Unadjusted Threshold Basis Limit:	\$43,230,048
Total Adjusted Threshold Basis Limit:	\$137,465,133

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

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

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:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.

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: 28%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 142%

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

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

The project consists of one 19-story building that is being bifurcated into two LIHTC projects. Weingart Tower II (CA-20-726) will consist of 144 units on floors 3-11. Weingart Tower II will be developed concurrently with Weingart Tower I (CA-20-725), which will consist of 134 residential units on floors 12-18 and site amenities on floors 1, 2 and 19. The two projects are being developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). The developer fees for Weingart Tower I and Weingart Tower II comply with the requirements for simultaneous phases.

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.