

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**April 28, 2021**

Thatcher Yard Housing, located at 3233 South Thatcher Ave in Los Angeles, requested and is being recommended for a reservation of \$2,979,575 in annual federal tax credits to finance the new construction of 97 units of housing serving special needs tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Thomas Safran & Associates and will be located in Senate District 26 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 AHSC program of HCD.

**Project Number** CA-21-538

**Project Name** Thatcher Yard Housing  
**Site Address:** 3233 South Thatcher Avenue  
Marina del Rey, CA 90292 County: Los Angeles  
**Census Tract:** 2741.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,979,575	\$0
Recommended:	\$2,979,575	\$0

**Applicant Information**

**Applicant:** Thatcher Yard Housing LP  
**Contact:** Blake Coddington  
**Address:** 11811 San Vicente Blvd  
Los Angeles CA, 90049  
**Phone:** 310-820-2236  
**Email:** blake@tsahousing.com

**General Partner(s) or Principal Owner(s):** Thatcher Yard Housing, LLC  
Housing Corporation of America  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Thomas Safran & Associates  
Housing Corporation of America  
**Developer:** Thomas Safran & Associates  
**Investor/Consultant:** R4 Capital  
**Management Agent:** Thomas Safran & Associates

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 8  
Total # of Units: 98  
No. / % of Low Income Units: 97 100.00%  
Federal Set-Aside Elected: 40%/60% Average Income  
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers  
(39 units - 40%)  
Utility Allowance: CUAC

**Bond Information**

Issuer: City of LA  
Expected Date of Issuance: October 1, 2021

**Information**

Housing Type: Special Needs  
Geographic Area: City of Los Angeles  
TCAC Project Analyst: Nick White

**55-Year Use / Affordability**

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
30% AMI: 49	51%
50% AMI: 29	30%
80% AMI: 19	20%

**Unit Mix**

51 SRO/Studio Units
26 1-Bedroom Units
12 2-Bedroom Units
9 3-Bedroom Units
<hr/> 98 Total Units

<u>Unit Type &amp; 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>
24 SRO/Studio	30%	30%	\$591
8 SRO/Studio	30%	12%	\$239
5 1 Bedroom	30%	30%	\$633
19 SRO/Studio	50%	50%	\$986
7 1 Bedroom	50%	50%	\$1,056
14 1 Bedroom	80%	80%	\$1,690
2 2 Bedrooms	30%	14%	\$357
6 2 Bedrooms	30%	30%	\$760
1 2 Bedrooms	50%	50%	\$1,267
3 2 Bedrooms	80%	80%	\$2,028
4 3 Bedrooms	30%	30%	\$878
2 3 Bedrooms	50%	50%	\$1,464
2 3 Bedrooms	80%	80%	\$2,343
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$828,488
Construction Costs	\$41,613,515
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,961,940
Soft Cost Contingency	\$631,509
Relocation	\$0
Architectural/Engineering	\$2,258,795
Const. Interest, Perm. Financing	\$3,852,700
Legal Fees	\$275,494
Reserves	\$525,440
Other Costs	\$2,944,988
Developer Fee	\$7,473,851
Commercial Costs	\$0
<b>Total</b>	<b><u>\$63,366,720</u></b>

**Residential**

Construction Cost Per Square Foot:	\$641
Per Unit Cost:	\$646,599
True Cash Per Unit Cost*:	\$635,198

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Construction Loan - Tax Exempt	\$33,450,000	CCRC Perm Loan	\$10,100,000
Construction Loan - Taxable Tail	\$4,275,000	HCIDLA-HHH (Senior)	\$8,060,000
HCIDLA-HHH (Senior)	\$8,060,000	HCIDLA-HHH (Family)	\$3,600,000
HCIDLA-HHH (Family)	\$3,600,000	HCD-AHSC	\$9,000,000
Deferred Reserves	\$525,440	Deferred Developer Fee	\$1,117,304
Deferred Fees & Costs	\$1,809,851	GP Contribution	\$4,973,851
Tax Credit Equity	\$11,646,429	Tax Credit Equity	\$26,515,565
		<b>TOTAL</b>	<b>\$63,366,720</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$57,299,526
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$74,489,384
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,979,575
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,473,851
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.88991

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:	\$57,299,526
Actual Eligible Basis:	\$57,299,526
Unadjusted Threshold Basis Limit:	\$37,209,429
Total Adjusted Threshold Basis Limit:	\$94,511,949

**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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units

Income Targeted between 50% AMI & 36% AMI: 29%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units

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 4.00% 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 applicant has requested the use of a CUAC utility allowance. TCAC staff will review the CUAC documentation for this existing project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

Development costs are roughly \$635,198 per unit. The factors affecting this cost include payment of prevailing wages, mitigation of methane zone construction, high groundwater & mat foundation (which includes potential de-watering during construction and redesign of the foundations from a footing / slab to a mat slab), environmental remediation, and utility undergrounding and/or relocation of power poles that interfere with electrical systems.

**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.