

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
June 15, 2022**

Harvard Adams Apartments, located at 4230 W. Adams Boulevard and 1938 S. Harvard Boulevard in Los Angeles, requested and is being recommended for a reservation of \$955,707 in annual federal tax credits to finance the acquisition and rehabilitation of 47 units of housing with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Harvard Adams Developer, LLC and will be located in Senate District 30 and Assembly District 54.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based contract.

Project Number CA-22-482

Project Name Harvard Adams Apartments
Site Address: 4230 W. Adams Boulevard and 1938 S. Harvard Boulevard
Los Angeles, CA 90018 County: Los Angeles
Census Tract: 2187.02-Adams 2214.02-Harvard

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$955,707 | \$0 |
| Recommended: | \$955,707 | \$0 |

Applicant Information

Applicant: Harvard Adams Housing Partners, LP
Contact: Evan Laws
Address: 415 First Avenue North, #19240
Seattle, WA 98109
Phone: (360) 921-3160
Email: evan.laws@vitus.com

General Partner(s) or Principal Owner(s): FFAH V Harvard Adams, LLC
Harvard Adams Housing Management, LLC
General Partner Type: Joint Venture
Parent Company(ies): Foundation for Affordable Housing V, Inc.
Vitus Group, LLC
Developer: Harvard Adams Developer, LLC
Bond Issuer: CSCDA
Investor/Consultant: R4 Capital LLC
Management Agent: Aperto Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 48
 No. / % of Low Income Units: 47 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD 221(d)(4) FHA Insured loan / HUD Section Project Based Contract (47 units - 98%)

Information

Housing Type: At-Risk
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Dylan Hervey

55-Year Use / Affordability

| <u>Aggregate Targeting Number of Units</u> | <u>Percentage of Affordable Units</u> |
|--|---|
| 30% AMI: 18 | 38% |
| 40% AMI: 4 | 9% |
| 50% AMI: 25 | 53% |

Unit Mix

| |
|-----------------------|
| 39 2-Bedroom Units |
| 4 3-Bedroom Units |
| 5 4-Bedroom Units |
| <u>48 Total Units</u> |

| <u>Unit Type & Number</u> | <u>2022 Rents Targeted % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-----------------------------------|--|--|
| 10 2 Bedrooms | 30% | \$798 |
| 1 3 Bedrooms | 30% | \$922 |
| 1 4 Bedrooms | 30% | \$1,029 |
| 4 2 Bedrooms | 30% | \$798 |
| 1 3 Bedrooms | 30% | \$922 |
| 1 4 Bedrooms | 30% | \$1,029 |
| 2 2 Bedrooms | 40% | \$1,064 |
| 1 3 Bedrooms | 40% | \$1,229 |
| 1 4 Bedrooms | 40% | \$1,372 |
| 22 2 Bedrooms | 50% | \$1,330 |
| 1 3 Bedrooms | 50% | \$1,536 |
| 2 4 Bedrooms | 50% | \$1,715 |
| 1 2 Bedrooms | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|------------------------------------|---------------------|
| Land and Acquisition | \$15,473,000 |
| Construction Costs | \$0 |
| Rehabilitation Costs | \$4,599,176 |
| Construction Hard Cost Contingency | \$455,923 |
| Soft Cost Contingency | \$50,000 |
| Relocation | \$285,000 |
| Architectural/Engineering | \$156,000 |
| Const. Interest, Perm. Financing | \$1,122,669 |
| Legal Fees | \$265,000 |
| Reserves | \$380,000 |
| Other Costs | \$200,438 |
| Developer Fee | \$2,852,274 |
| Commercial Costs | \$0 |
| Total | \$25,839,480 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$93 |
| Per Unit Cost: | \$538,323 |
| True Cash Per Unit Cost*: | \$510,537 |

Construction Financing

| Source | Amount |
|-------------------------------------|--------------|
| Rockport/HUD 221(d)(4) ¹ | \$13,403,000 |
| Rockport/HUD 221(d)(4) | \$2,597,000 |
| Bridge Loan | \$5,400,000 |
| Tax Credit Equity | \$1,701,158 |

Permanent Financing

| Source | Amount |
|-------------------------------------|---------------------|
| Rockport/HUD 221(d)(4) ¹ | \$13,403,000 |
| Rockport/HUD 221(d)(4) | \$2,597,000 |
| Deferred Developer Fee | \$1,333,691 |
| Tax Credit Equity | \$8,505,789 |
| TOTAL | \$25,839,480 |

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

¹Cash-collateralized

Determination of Credit Amount(s)

| | |
|--|----------------|
| Requested Eligible Basis (Rehabilitation): | \$6,758,735 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | \$15,108,700 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | \$8,786,356 |
| Qualified Basis (Acquisition): | \$15,108,700 |
| Applicable Rate: | 4.00% |
| Maximum Annual Federal Credit, Rehabilitation: | \$351,359 |
| Maximum Annual Federal Credit, Acquisition: | \$604,348 |
| Total Maximum Annual Federal Credit: | \$955,707 |
| Approved Developer Fee in Eligible Basis: | \$2,852,274 |
| Investor/Consultant: | R4 Capital LLC |
| 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.

Significant Information / Additional Conditions: None.

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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this 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.

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.