

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2023 First Round

July 26, 2023

LAAC Apartments, located at six sites (see below) in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$3,008,597 in total state tax credits to finance the acquisition and rehabilitation of 73 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Dawson Holdings, Inc. and is located in Senate District 28 and Assembly District 57.

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 Vouchers.

Project Number CA-23-063

Project Name LAAC Apartments

Site Address:	Site 1 4517-4517 South Normandie Avenue Los Angeles, CA 90337 County: Los Angeles Census Tract: 2322.00	Site 2 245 West 64th Street Los Angeles, CA 90003 County: Los Angeles Census Tract: 2397.01
	Site 3 679 and 689 East 41st Street Los Angeles, CA 90011 County: Los Angeles Census Tract: 2283.10	Site 4 900 East 28th Street Los Angeles, CA 90011 County: Los Angeles Census Tract: 2393.20
	Site 5 6320-6324 South Broadway Los Angeles, CA 90003 County: Los Angeles Census Tract: 2393.10	Site 6 235 West 47th Street Los Angeles, CA 90037 County: Los Angeles Census Tract: 2319.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$3,008,597
Recommended:	\$2,500,000	\$3,008,597

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: LAAC, LP
Contact: Justin Solomon
Address: 7250 Redwood Boulevard, Suite 214
Novato, CA 94945
Phone: (415) 609-5352
Email: jsolomon@d-h-i.net

General Partner(s) / Principal Owner(s): Kingdom Development, Inc.
LAAC Associates, LLC
General Partner Type: Joint Venture
Parent Company(ies): Kingdom Development, Inc.
Dawson Holdings, Inc.
Developer: Dawson Holdings, Inc.
Investor/Consultant: R4 Capital LLC
Management Agent(s): AWI Management Corporation

Project Information

Construction Type: Acquisition and Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 73
No. & % of Tax Credit Units: 73 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Contract (73 Units - 100%)

Information

Set-Aside: N/A
Housing Type: At-Risk
Geographic Area: City of Los Angeles
CTCAC Project Analyst: Nick White

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	11	15%
At or Below 45% AMI:	17	20%
At or Below 50% AMI:	19	25%
At or Below 60% AMI:	26	35%

Unit Mix

2 SRO/Studio Units
16 1-Bedroom Units
53 2-Bedroom Units
2 3-Bedroom Units
73 Total Units

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	\$625
1 SRO/Studio	45%	\$937
2 1 Bedroom	30%	\$669
4 1 Bedroom	45%	\$1,004
5 1 Bedroom	50%	\$1,116
5 1 Bedroom	60%	\$1,339
7 2 Bedrooms	30%	\$804
1 2 Bedrooms	45%	\$1,206
6 2 Bedrooms	45%	\$1,206
4 2 Bedrooms	45%	\$1,206
8 2 Bedrooms	50%	\$1,340
6 2 Bedrooms	50%	\$1,340
3 2 Bedrooms	60%	\$1,608
18 2 Bedrooms	60%	\$1,608
1 3 Bedrooms	30%	\$928
1 3 Bedrooms	45%	\$1,393
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$24,490,000
Construction Costs	\$0
Rehabilitation Costs	\$12,732,660
Construction Contingency	\$1,373,300
Relocation	\$730,000
Architectural/Engineering	\$325,000
Const. Interest, Perm. Financing	\$1,522,245
Legal Fees	\$230,000
Reserves	\$397,605
Other Costs	\$736,930
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$44,737,740

Residential

Construction Cost Per Square Foot:	\$301
Per Unit Cost:	\$612,846
True Cash Per Unit Cost*:	\$597,777

Construction Financing

<u>Source</u>	<u>Amount</u>
East West Bank	\$23,100,000
DHI Guarantor, LLC ¹	\$7,070,701
Net Operating Income	\$861,887
Deferred Cost	\$861,702
State Tax Credit Equity	\$1,207,200
Federal Tax Credit Equity	\$11,636,250

Permanent Financing

<u>Source</u>	<u>Amount</u>
East West Bank	\$10,975,000
DHI Guarantor, LLC ¹	\$7,794,405
Net Operating Income	\$861,887
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$24,006,448
TOTAL	\$44,737,740

¹Dawson Holdings Inc Guarantor

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$17,755,282
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$23,143,050
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$17,755,282
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$23,143,050
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$1,597,975
Maximum Annual Federal Credit, Acquisition:	\$925,722
Total Maximum Annual Federal Credit:	\$2,523,697
Total State Credit:	\$2,733,712
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$0.87000
State Tax Credit Factor:	\$0.75000

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	At-Risk
Self-Score Final:	16.483%
CTCAC Final:	16.483%

Significant Information / Additional Conditions:

This project involves the substantial rehabilitation of 12 buildings across six scattered sites. This acquisition/rehabilitation project has a pre-existing Section 8 Project-based Contract in effect for all sites.

At placed-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded CTCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded CTCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified tenants

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 3/4 mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a public high school	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	0	0
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	109	99	99

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.