

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 Second Round
September 23, 2015

Wilmington & 118th Senior Housing, located at 11737-11753 Wilmington Avenue and 11732-11756 Bandera Street in Los Angeles, CA, requested and is being recommended for a reservation of \$1,746,453 in annual federal tax credits to finance the new construction of 104 low-income units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers, and other assistance from a HUD Section 108 loan guarantee and HUD Economic Development funds.

Project Number CA-15-128

Project Name Wilmington & 118th Senior Housing
Site Address: 11737-11753 Wilmington Ave., 11732-11756 Bandera Street
Los Angeles, CA 90059 County: Los Angeles
Census Tract: 5407.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,746,453	\$0
Recommended:	\$1,746,453	\$0

Applicant Information

Applicant: Wilmington & 118th, LP
Contact: Andrew Gross
Address: 11812 San Vicente Blvd Suite 600
Los Angeles, CA 90049
Phone: 310-820-4888 Fax: 310-207-6986
Email: andrew@tsahousing.com

General Partner(s) / Principal Owner(s): Wilmington & 118th, LLC
Housing Corporation of America
General Partner Type: Joint Venture
Parent Company(ies): Thomas Safran & Associates Development, Inc.
Housing Corporation of America
Developer: Thomas Safran & Associates Development, Inc.
Investor/Consultant: Union Bank NA
Management Agent(s): Thomas Safran & Associates Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 105
 No. & % of Tax Credit Units: 104 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Economic Development Funds / HUD Section 108 Loan Guarantee / HUD Section 8 Project-based Vouchers (22 Units - 21%)

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI: 23 20 %
 40% AMI: 11 10 %
 50% AMI: 42 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

94 1-Bedroom Units
 11 2-Bedroom Units

 105 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
28 1 Bedroom	60%	60%	\$933
35 1 Bedroom	50%	50%	\$778
9 1 Bedroom	40%	40%	\$622
22 1 Bedroom	30%	17%	\$260
7 2 Bedrooms	50%	50%	\$933
2 2 Bedrooms	40%	40%	\$747
1 2 Bedrooms	30%	30%	\$560
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$900

Project Cost Summary at Application

Land and Acquisition	\$3,266,002
Construction Costs	\$17,103,908
Rehabilitation Costs	\$0
Construction Contingency	\$1,216,579
Relocation	\$0
Architectural/Engineering	\$2,028,777
Construction Interest, Perm Financing	\$1,760,335
Legal Fees, Appraisals	\$134,600
Reserves	\$238,221
Other Costs	\$2,090,859
Developer Fee	\$2,000,000
Commercial Costs	\$7,817,000
Total	\$37,656,281

Project Financing

Estimated Total Project Cost:	\$37,656,281
Estimated Residential Project Cost:	\$29,839,281
Estimated Commercial Project Cost:	\$7,817,000

Residential

Construction Cost Per Square Foot:	\$214
Per Unit Cost:	\$284,184

Construction Financing

Source	Amount
Union Bank - Construction Loan	\$19,000,000
LACDC - General Funds (Residential)	\$3,655,000
LACDC - General Funds (Library)	\$4,617,000
LACDC - Seller Financing (Land)	\$2,887,931
LACDC - HUD Economic Dev. Funds	\$1,600,000
LACDC - HUD Section 108	\$1,600,000
AHP	\$1,040,000
Deferred Developer Fee	\$1,509,897
Tax Credit Equity	\$1,746,453

Permanent Financing

Source	Amount
Union Bank - Tranche A	\$3,138,000
Union Bank - Tranche B	\$1,460,000
LACDC - General Funds (Residential)	\$3,655,000
LACDC - General Funds (Library)	\$4,617,000
LACDC - Seller Financing (Land)	\$2,887,931
LACDC - HUD Economic Dev. Funds	\$1,600,000
LACDC - HUD Section 108	\$1,600,000
AHP	\$1,040,000
Deferred Developer Fee	\$193,823
Tax Credit Equity	\$17,464,527
TOTAL	\$37,656,281

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,469,766
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,710,696
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$1,746,453
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Union Bank NA
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$17,469,766
Actual Eligible Basis:	\$25,464,139
Unadjusted Threshold Basis Limit:	\$21,128,780
Total Adjusted Threshold Basis Limit:	\$28,946,429

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	42.392%

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 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 7.69% 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.

Special Issues/Other Significant Information: As part of the Disposition and Development Agreement between the applicant and the County of Los Angeles Community Development Commission, the applicant is building the County's library on airspace parcels designated as "Parcel L1" and "Parcel L2" on the project site which is designated as "Parcel A". At the completion of construction the County will attain ownership of the airspace parcels and the library. The County is providing the funds for the library's construction. In addition, a Reciprocal Easement Agreement and a Joint Use and Maintenance Agreement will be entered into between the County and the applicant to govern ingress/egress, utility access, service and other necessary easements to control the joint use of the site, as well as the joint use, collective operation, and maintenance of common areas.

The project has HUD project-based vouchers from the Community Development Commission of the County of Los Angeles for 22 units which will allow the project to provide housing for 22 homeless seniors.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, the Community Development Commission of the County of Los Angeles, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,746,453	\$0

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.

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 performance deposit and allocation 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.

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 ten 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)(6) 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.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public library	3	3	3
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.