CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

Hancock Gardens, located at 303 South Van Ness Avenue in Los Angeles, requested and is being recommended for a reservation of $760,890 in annual federal tax credits to finance the acquisition and rehabilitation 65 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Thomas Safran & Associates Development, Inc. and is located in Senate District 24 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-15-930		
Project Name	Hancock Gardens		
Site Address:	303 South Van Ness Avenue		
	Los Angeles, CA 90020	County:	Los Angeles
Census Tract:	2117.010		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$760,890	$0
Recommended:	$760,890	$0

Applicant Information

Applicant:	Hancock Gardens Senior Housing LP		
Contact:	Anthony Yannatta		
Address:	11812 San Vicente Blvd., Ste. 600		
	Los Angeles, CA 90049		
Phone:	310-820-4888	Fax:	310-207-6986
Email:	anthony@tsahousing.com		

General Partner(s) or Principal Owner(s):	Housing Corporation of America
	Hancock Gardens Senior Housing LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Housing Corporation of America
	Thomas Safran & Associates, Inc.
Developer:	Thomas Safran & Associates Development, Inc.
Investor/Consultant:	Wells Fargo Community Lending
Management Agent:	Thomas Safran & Associates, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	66
No. & % of Tax Credit Units:	65 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (100% - 65 Units)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	13
Number of Units @ or below 60% of area median income:	52

Bond Information

Issuer:	Housing & Community Investment Department of the City of Los Angeles
Expected Date of Issuance:	January 15, 2016
Credit Enhancement:	HUD FHA Section 221(d)(4) Mortgage Insurance

Information

Housing Type:	Seniors
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

Unit Mix

66	1-Bedroom Units
66	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
13	1 Bedroom	50%	50%	$778
52	1 Bedroom	60%	60%	$933
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$1,555

Project Cost Summary at Application	
Land and Acquisition	$14,700,000
Construction Costs	$0
Rehabilitation Costs	$4,593,600
Construction Contingency	$459,360
Relocation	$33,000
Architectural/Engineering	$257,500
Construction Interest, Perm Financing	$1,397,205
Legal Fees, Appraisals	$149,750
Reserves	$262,935
Other Costs	$551,087
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$24,904,437**

Project Financing		**Residential**	
Estimated Total Project Cost:	$24,904,437	Construction Cost Per Square Foot:	$90
Estimated Residential Project Cost:	$24,904,437	Per Unit Cost:	$377,340

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
Citibank - Tax-Exempt Bonds	$12,726,810	PNC Bank - HUD 221(d)(4)	$14,140,900
PNC Bank - HUD 221(d)(4)	$1,414,090	Seller Financing	$1,000,000
Seller Financing	$1,000,000	NOI During Construction	$493,745
NOI During Construction	$493,745	Deferred Developer Fee	$1,280,447
Deferred Developer Fee	$2,500,000	Tax Credit Equity	$7,989,345
Tax Credit Equity	$5,992,009	**TOTAL**	**$24,904,437**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,518,522
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$14,605,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,474,078
Qualified Basis (Acquisition):	$14,605,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$278,925
Maximum Annual Federal Credit, Acquisition:	$481,965
Total Maximum Annual Federal Credit:	$760,890
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Wells Fargo Community Lending
Federal Tax Credit Factor:	$1.05000

Per Regulation Section 10322(h)(9)(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:	$21,123,522
Actual Eligible Basis:	$21,123,522
Unadjusted Threshold Basis Limit:	$15,363,678
Total Adjusted Threshold Basis Limit:	$23,045,518

Adjustments to Basis Limit
Required to Pay Prevailing Wages
95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

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 3.30% 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: 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.

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
$760,890	**$0**

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.