CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 16, 2016

Dudley Oaks, located at 2119 Oak Street in Los Angeles, requested and is being recommended for a reservation of $361,037 in annual federal tax credits to finance the acquisition and rehabilitation of 19 units of housing serving tenants 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 30 and Assembly District 59.

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

Project Number CA-16-967

Project Name Dudley Oaks
Site Address: 2119 Oak Street
Los Angeles, CA 90007 County: Los Angeles
Census Tract: 2244.100

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$361,037	$0
Recommended:	$361,037	$0

Applicant Information

Applicant:	Dudley Oaks Apartments 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 Dudley Oaks Apartments 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
Management Agent:	Thomas Safran & Associates, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	20
No. & % of Tax Credit Units:	19 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Contract (19 Units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	18
Number of Units @ or below 60% of area median income:	1

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	November 8, 2016
Credit Enhancement:	PNC Bank - HUD FHA 221(d)(4)

Information

Housing Type:	At-Risk
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	DC Navarrette

Unit Mix

5	1-Bedroom Units
15	2-Bedroom Units
20	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	1 Bedroom	50%	50%	$814
13	2 Bedrooms	50%	50%	$977
1	2 Bedrooms	60%	60%	$1,173
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$5,800,000
Construction Costs	$0
Rehabilitation Costs	$2,200,913
Construction Contingency	$397,260
Relocation	$40,000
Architectural/Engineering	$174,000
Const. Interest, Perm. Financing	$749,726
Legal Fees, Appraisals	$164,750
Reserves	$121,639
Other Costs	$328,394
Developer Fee	$1,298,170
Commercial Costs	$0
Total	**$11,274,850**

Project Financing

Estimated Total Project Cost:	$11,274,850
Estimated Residential Project Cost:	$11,274,850
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$151
Per Unit Cost:	$563,743
True Cash Per Unit Cost*:	$470,435

Construction Financing

Source	Amount
Citibank	$4,912,200
Wells Fargo Series B Bonds	$982,440
Seller Carryback Note	$1,500,000
Construction Period Income	$236,258
Deferred Developer Fee	$1,298,170
Tax Credit Equity	$2,345,783

Permanent Financing

Source	Amount
PNC Bank - HUD FHA 221(d)(4)	$4,912,200
Seller Carryback Note	$1,500,000
Construction Period Income	$236,258
Deferred Developer Fee	$366,155
Tax Credit Equity	$4,260,237
TOTAL	**$11,274,849**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,857,636
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,095,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,014,927
Qualified Basis (Acquisition):	$6,095,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$162,949
Maximum Annual Federal Credit, Acquisition:	$198,088
Total Maximum Annual Federal Credit:	$361,037
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,298,170
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	$1.18000

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:	$9,952,636
Actual Eligible Basis:	$9,952,636
Unadjusted Threshold Basis Limit:	$5,130,860
Total Adjusted Threshold Basis Limit:	$10,980,040

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 94%

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 3.25% 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, the City 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**
$361,037	**$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: None.